

2-19-2010

# Taylor v. AIA Services Corp. Clerk's Record v. 6 Dckt. 36916

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In the  
**SUPREME COURT**  
of the  
**STATE OF IDAHO**

Reed J. Taylor,  
Plaintiff-Appellant,

v.

AIA Services Corporation, et al,  
Defendants-Respondents.

FILED - COPY

FEB 19 2010

Supreme Court Court of Appeals  
Entered on ATS by

**CLERK'S RECORD ON APPEAL**

**VOLUME VI**

Appealed from the District Court of the  
Second Judicial District of the State of Idaho,  
in and for the County of Nez Perce

The Honorable Jeff M. Brudie

Supreme Court No. 36916-2009

RODERICK C. BOND  
ATTORNEY FOR PLAINTIFF-APPELLANT

GARY D. BABBITT  
ATTORNEY FOR DEFENDANT AIA CORP-RESPONDENTS

369161

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE STATE  
OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,	)	
	)	
Plaintiff-Counterdefendant-Appellant-	)	
Cross Respondent,	)	SUPREME COURT NO. 36916-2009
	)	
v.	)	
	)	
AIA SERVICES CORPORATION, an Idaho	)	TABLE OF CONTENTS
corporation; AIA INSURANCE, INC., an Idaho	)	VOLUME VI
corporation; R. JOHN TAYLOR and CONNIE	)	
TAYLOR, individually and the community	)	
property comprised thereof, BRIAN FREEMAN,	)	
a single person; JOLEE DUCLOS, a single person	)	
and JAMES BECK and CORRINE BECK,	)	
	)	
Defendants-Counterclaimants-	)	
Respondents-Cross Appellants-Cross	)	
Respondents,	)	
	)	
and	)	
	)	
CROP USA INSURANCE AGENCY, INC.,	)	
an Idaho corporation;	)	
	)	
Defendant-Respondent-Cross Respondent,	)	
	)	
and	)	
	)	
401(k) PROFIT SHARING PLAN FOR THE	)	
AIA SERVICES CORPORATION,	)	
	)	
Intervenor-Cross Appellant-Cross	)	
Respondent.	)	
	)	

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IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE STATE  
OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,	)	
	)	
Plaintiff-Counterdefendant-Appellant-	)	
Cross Respondent,	)	SUPREME COURT NO. 36916-2009
	)	
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	)	
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	)	
Defendants-Counterclaimants-	)	
Respondents-Cross Appellants-Cross	)	
Respondents,	)	
	)	
and	)	
	)	
CROP USA INSURANCE AGENCY, INC.,	)	
an Idaho corporation;	)	
	)	
Defendant-Respondent-Cross Respondent,	)	
	)	
and	)	
	)	
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AIA SERVICES CORPORATION,	)	
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10. All e-mails sent, carbon-copied, or received by R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers, directors, and managers of AIA Services Corporation and AIA Insurance, Inc.

**RESPONSE:**

11. All documents pertaining to the compensation, benefits, and expenses paid for R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers and directors of AIA Services Corporation and AIA Insurance, Inc.

**RESPONSE:**

12. All documents pertaining to all redemptions and transactions involving the Series C Preferred Shares of AIA Services Corporation.

**RESPONSE:**

13. All documents pertaining to all funds, services, or assets advanced or owed at any time by R. John Taylor to AIA Services Corporation or AIA Insurance, Inc., including all documents pertaining to any repayment of such obligations.

**RESPONSE:**

14. All documents pertaining to assets, securities, equipment, credit arrangements, labor, services, or cash of AIA Insurance, Inc. or AIA Services Corporation which have been transferred, assigned, lent, or advanced to R. John Taylor.

**RESPONSE:**

15. All documents pertaining to all assets, securities, office space, equipment, credit arrangements, labor, services, or cash of AIA Insurance, Inc. or AIA Services Corporation which have been utilized, provided, transferred, assigned, lent, or advanced to Crop USA Insurance Agency, Inc.

**RESPONSE:**

16. Any and all documents pertaining to indemnification of any of the Defendants in this action or payment of their legal fees and expenses by AIA Insurance or AIA Services Corporation, together with all Notices of Meetings of Shareholders or the Board of Directors of AIA Services Corporation or AIA Insurance, Inc. to address such issues.



**RESPONSE:**

17. All documents pertaining to all trust agreements, agreements, or contracts between AIA Insurance, Inc. or AIA Services Corporation and any party, entity, or association in which AIA Insurance, Inc. or AIA Services Corporation conducts business with or on behalf of, including without limitation, all trust agreements, all agreements with any associations, all agreements with any grower associations, all agreements with co-ops, insurance companies, and all agreements with Crop USA Insurance Agency, Inc. (including copies of all Bylaws of the foregoing).

**RESPONSE:**

18. All documents pertaining to all agreements, contracts, and the like between AIA Insurance, Inc., AIA Services Corporation, or Crop USA Insurance Agency, Inc. and R. John Taylor.

**RESPONSE:**

19. All agreements, fee arrangements, contracts, and related documents involving AIA Insurance, Inc. or AIA Services Corporation pertaining to the litigation known as *In re: Universe Liquidator Grain Growers Trust, et al. v. Idaho Department of Insurance* (a/k/a GGMIT lawsuit), and the status of such litigation.

**RESPONSE:**

20. All documents pertaining to the status of the GGMIT lawsuit.

**RESPONSE:**

21. All documents pertaining to all redemptions, agreements, contracts, and transactions involving the Series A Preferred Shares of AIA Services Corporation and the present balance owed to the holder of the Series A Preferred Shares of AIA Services Corporation.

**RESPONSE:**

22. All documents pertaining to the parking lot purchased by R. John Taylor which is or has been used by AIA Insurance, Inc. or AIA Services Corporation, together with all payments or advances relating to such parking lot.

**RESPONSE:**

23. All documents pertaining to all minutes of all meetings involving all trust boards or membership associations.

**RESPONSE:**

24. All documents pertaining to AIA Insurance, Inc.'s purchase of Preferred C Shares of AIA Services Corporation and the present value of such alleged investment.

**RESPONSE:**

25. All documents pertaining to the transfer or conversion of Preferred C Shares of AIA Services Corporation to shares of Crop USA Insurance Agency, Inc.

**RESPONSE:**

26. All documents pertaining to all notices of shareholder meetings, notices of board meetings, shareholder resolutions, shareholder votes, shareholder meetings, board meetings, minutes of board or shareholder meetings, board resolutions, and any other corporate action involving AIA Services Corporation and AIA Insurance, Inc.

**RESPONSE:**

27. All documents pertaining to any funds lent or advanced to any party or entity from the 401(k) Plan of AIA Services Corporation.

**RESPONSE:**

28. All documents pertaining to shareholder lists of AIA Services Corporation and AIA Insurance, Inc.

**RESPONSE:**

29. Documents pertaining to the names and addresses of the officers and directors of AIA Services Corporation and AIA Insurance, Inc.

**RESPONSE:**

30. Documents identifying all persons who are members of any advisory boards or committees to the board of directors of AIA Services Corporation or AIA Insurance, Inc.

**RESPONSE:**

31. All documents pertaining to the spin off, transfer, or sale of the radio station owned at one time by AIA Services Corporation or AIA Insurance, Inc. known as KATW FM.

**RESPONSE:**

32. All documents pertaining to all vehicle purchases or leases involving AIA Insurance, Inc. or AIA Services Corporation.

**RESPONSE:**

33. All documents pertaining to the current financial statements and balance sheets of AIA Insurance, Inc. or AIA Services Corporation.

**RESPONSE:**

34. All documents pertaining to the 2006 tax returns of AIA Insurance, Inc. or AIA Services Corporation.

**RESPONSE:**

35. Documents identifying the names, addresses, and positions of all employees and officers of AIA Insurance, Inc. and AIA Services Corporation.

RESPONSE:

DATED: This 23<sup>rd</sup> day of March, 2007.

SMITH, CANNON & BOND PLLC  
AHLERS & CRESSMAN PLLC

By: \_\_\_\_\_

Roderick C. Bond  
Paul R. Cressman, Jr.  
Ned A. Cannon  
Attorneys for Plaintiff

**CERTIFICATE OF SERVICE**

I, Amy Reed, declare that, on the date indicated below, I served 1 original and 1 true and correct copy of Plaintiff's First Requests for Production of Documents to Defendants AIA Services Corporation, AIA Insurance, Inc., R. John Taylor, Bryan Freeman, and JoLee Duclos on the following parties via the method(s) indicated below:

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, Washington 99403  
Attorney for Defendants Duclos and Freeman

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Michael E. McNichols  
Clements Brown & McNichols  
321 13th Street  
Lewiston, Idaho 83501  
Attorneys for AIA Services Corporation,  
AIA Insurance, Inc., and R. John Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, Idaho 83501  
Attorney for Defendant Connie Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Signed this 23<sup>rd</sup> day of March, 2007, at Lewiston, Idaho.

\_\_\_\_\_  
Amy Reed



## **EXHIBIT B**

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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Gary D. Babbitt ISB No. 1486  
D. John Ashby ISB No. 7228  
HAWLEY TROXELL ENNIS & HAWLEY LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, ID 83701-1617  
Telephone: (208) 344-6000  
Facsimile: (208) 342-3829  
Email: gdb@hteh.com  
jash@hteh.com

Attorneys for Defendants AIA Services Corporation  
and AIA Insurance, Inc.

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,  
Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN a single person; and  
JOLEE DUCLOS, a single person,

Defendants.

Case No. CV-07-00208

DEFENDANTS AIA SERVICES  
CORPORATION AND AIA  
INSURANCE, INC.'S RESPONSES TO  
PLAINTIFF'S FIRST REQUESTS FOR  
PRODUCTION OF DOCUMENTS TO  
DEFENDANTS AIA SERVICES  
CORPORATION, AIA INSURANCE,  
INC., R. JOHN TAYLOR, BRYAN  
FREEMAN, AND JOLEE DUCLOS

TO: REED J. TAYLOR AND HIS COUNSEL OF RECORD

COME NOW AIA Services Corporation and AIA Insurance, Inc., Defendants in the  
above-entitled action, by and through their counsel of record, Hawley Troxell Ennis & Hawley

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN  
TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 1

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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LLP, and, in accordance with the requirements of Rule 34 of the Idaho Rules of Civil Procedure, and hereby file their response to Plaintiff's First Requests for Production of Documents to Defendants AIA Services Corporation, AIA Insurance, Inc., R. John Taylor, Bryan Freeman, and JoLee Duclos.

Unless otherwise specified, inspection and copying will be permitted as requested, except that some other time and place which is mutually agreeable to the parties may be substituted for the time and place specified in the request.

#### PRELIMINARY STATEMENT

1. These responses are made solely for purposes of this action. Any document produced by Defendants in response to the Requests is subject to all objections as to competence, relevance, materiality, propriety, and admissibility, as well as to any all other objections on any grounds that would require the exclusion of the document or any portion thereof if such document was offered in evidence, all of which objections and grounds are hereby expressly reserved and may be interposed at the time of any deposition or at or before any hearing or trial in this matter.

2. No incidental or implied admissions are intended by these responses. The fact that Defendants agree to produce documents in response to particular requests or furnish information in response to an interrogatory is not intended and should not be construed as an admission that Defendants accept or admit the existence of any facts set forth or assumed by such requests or interrogatories, or any of such documents, or that any of such documents or information constitutes admissible evidence. The fact that Defendants agree to produce in response to a particular request or furnish information in response to a particular request or

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN  
TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 2

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interrogatory is not intended and should not be construed as a waiver by Defendants of any part of any objection to such request or interrogatory or any part of any general objection made herein.

3. Defendants have not completed their investigation of this action, have not completed their discovery, and may discover additional documents or information responsive to the requests in the future. Some of the documents that are sought by the requests are not routinely compiled by Defendants and are not readily accessible to any agent or employee of Defendants. These responses are based on Defendants' knowledge, information, and belief at this time, and are based on Defendants' diligent search of those records that they have located and that they reasonably believe might contain the documents demanded. Therefore, these responses and the documents and other information that may be produced in connection with the requests are without prejudice to the rights of Defendants to supplement these responses or to use any later discovered documents or information for any purpose in connection with this suit.

#### **GENERAL OBJECTIONS**

1. Defendants object to Plaintiff's first set of Requests for Production on the grounds that Defendants' Motion to Dismiss is currently pending. Unless and until the Court has ruled, no discovery should be had in order to protect Defendants from annoyance, oppression, undue burden and expense.

2. Defendants object to Plaintiff's discovery to the extent that Plaintiff seeks information already in the possession of the Plaintiff or in the possession of third parties from whom such information may be more readily and/or cost effectively obtained. Attached hereto

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN  
TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 3

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are lists of documents voluntarily produced to Plaintiff or Plaintiff by Defendants to Plaintiff or Plaintiff's counsel prior to filing the Complaint, hereinafter "Document Lists A & B".

3. Defendants object to the discovery insofar as Plaintiff purports to seek documents or information covered by the Attorney-Client Privilege, the Attorney-Work Product Privilege or Doctrine, or the Accountant-Client Privilege. Based on these privileges, Defendants will not produce any such documents. This objection includes any and all correspondence between Defendants' agents and/or employees and counsel for Defendants or Defendant's accountants. Moreover, this objection includes any and all notes of meetings, internal or otherwise, and draft documents which were prepared for or by counsel or at the direction of counsel for purposes of, or in anticipation of litigation. Defendants object to the production of any and all documents or other information protected by the Attorney-Client Privilege and/or Attorney-Work Product Doctrine or Accountant-Client Privilege. Defendants object to the procedure set forth by Plaintiff to assert a claim of privilege on the grounds and to the extent that it is oppressive and unreasonable and seeks to impose obligations not imposed by Idaho Rule of Civil Procedure 26 and on the further basis that the information requested is itself within the scope of the Attorney-Client Privilege.

4. Defendants object to the requests insofar as Plaintiff purports to seek documents and information containing private and confidential information regarding non-parties to this action.

5. Defendants object to Plaintiff's first set of Request for Production insofar as Plaintiff purports to seek documents and other information containing confidential, proprietary or sensitive information which may impair or impede Defendants' ability to continue business.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 4

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6. Defendants object to Plaintiff's discovery to the extent that Plaintiff purports to seek information beyond the scope of the complaint filed in this action.

7. Defendants object to each request to the extent it seeks to require Defendants to produce all documents that "memorialize, pertain to, have connection to, or reference in any way" referenced documents on the grounds that such phrase is vague and ambiguous. Literally construed, said phrase is over broad, unduly burdensome and is not reasonably calculated to lead to the discovery of admissible evidence.

8. Plaintiffs claims are barred by applicable statutes of limitations and, the Requests for Production seek documents relating to the claims barred by the relevant statutes of limitations. It would be, therefore, unreasonable, burdensome, and oppressive to produce such documents until the court rules on Defendants' Motion to Dismiss.

9. Defendants object on the grounds that the requests seek documents previously produced to Plaintiff partially set forth on Exhibits A and B and are duplicative and burdensome, oppressive and unreasonable.

10. Plaintiff has failed to specify a time and place for the production of documents pursuant to this Request.

11. Plaintiff has failed to state his Requests with particularity and his Requests are vague, ~~unintelligible~~ and ambiguous.

The foregoing general objections are incorporated verbatim into each of the following responses. Each and every response herein is made subject to, and without waiver of, the general objections.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS  
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TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 5

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## REQUESTS FOR PRODUCTION

REQUEST FOR PRODUCTION NO. 1: All detailed general Ledgers and all journal entries for AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 1: Defendants object to this request on the grounds that information sought is not relevant and is not reasonably calculated to lead to discovery of admissible evidence. Defendants further object to this request on the grounds that it is overbroad, unreasonable, burdensome and oppressive.

REQUEST FOR PRODUCTION NO. 2: All supporting documents for the general ledgers and journal entries of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 2: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Defendants object further that this Request for Production is unreasonable, burdensome and oppressive and would impose a huge administrative burden on the Defendants to produce such documents and the cost of such production would be substantial. This request seeks the production of documents for more than five years prior to the filing of the Complaint and is further objectionable as the underlying claim is barred by the Statute of Limitations.

REQUEST FOR PRODUCTION NO. 3: All monthly and other periodic bank statements for all bank accounts of AIA Services Corporation and AIA Insurance, Inc., including all checks, wire transfers, automatic deposits and withdrawals, credits and debits.

RESPONSE TO REQUEST FOR PRODUCTION NO. 3: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and not

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reasonably calculated to lead to the discovery of admissible evidence. Defendants object further that this Request for Production is overbroad, unreasonable, burdensome and oppressive and would impose a huge administrative burden on the Defendants to produce such documents and the cost of such production would be substantial. Finally, there are hundreds of thousands of documents that may fit within the scope of this request, which would impose an unreasonable and impossible burden and cost on the Defendants.

REQUEST FOR PRODUCTION NO. 4: All check registers for AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 4: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and not reasonably calculated to discovery of admissible evidence. Defendants object further that this request for production is unreasonable, burdensome and oppressive and would impose a huge administrative burden on the Defendants to produce such documents and the cost of such production would be substantial.

REQUEST FOR PRODUCTION NO. 5: All working papers of outside accountants of AIA Services Corporation and AIA Insurance, Inc., and all correspondence and e-mails involving such accountants.

RESPONSE TO REQUEST FOR PRODUCTION NO. 5: Defendants object to this Request for Production to the extent it seeks the production of documents protected by the Accountant-Client Privilege (IRE 515). Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN  
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the discovery of admissible evidence. Defendants further object to this request on grounds that it is vague and ambiguous.

REQUEST FOR PRODUCTION NO. 6: All documents describing the type of accounting system utilized at any time by AIA Services Corporation and AIA Insurance, Inc., the type of software for such systems, the ability to transfer or download accounting and financial information electronically and into Excel; and all other documents pertaining to the accounting systems of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 6: Defendants object to Request for Production No. 6 on the grounds that it is vague and ambiguous, and on the grounds that it seeks information that is not relevant or reasonably calculated to lead to discovery of admissible evidence.

REQUEST FOR PRODUCTION NO. 7: All documents pertaining in any way to AIA Services Corporation and AIA Insurance, Inc., sharing, lending, or advancing expenses, personnel, funds, resources, and premises with any other company, including, but not limited to, Crop USA Insurance Agency, Inc., Sound Insurance, Pacific Empire Communications Corporation, Pacific Empire Holdings Corporation, Pacific Empire Radio Corporation, Radio Leasing, LLC., and any other entity, association, or party, including all checks and other documents pertaining to reimbursement or payments to AIA Services Corporation and AIA Insurance, Inc., and any associated accounts receivables, loans or credit arrangements

RESPONSE TO REQUEST FOR PRODUCTION NO. 7: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object

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that this Request for Production is unreasonable, burdensome and oppressive. Without waiving the foregoing objection or the General Objections, Defendants refer the Plaintiff to Exhibits A & B hereto.

REQUEST FOR PRODUCTION NO. 8: All credit authorizations, lines of credit, credit arrangements, and related documents of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 8: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence.

REQUEST FOR PRODUCTION NO. 9: All corporate books and records of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 9: Defendants object to this Request for Production on the grounds that it is vague and ambiguous. Defendants further object on the grounds that this request is overbroad, unreasonable, burdensome and oppressive.

REQUEST FOR PRODUCTION NO. 10: All e-mails sent, carbon-copied or received by R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers, directors, and managers of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 10: Defendants object to this Request for Production of Documents to the extent it seeks production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production is overbroad, unreasonable,

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burdensome and oppressive. There exist millions of emails which cannot be sorted (11.3 Gig of information).

REQUEST FOR PRODUCTION NO. 11: All documents pertaining to the compensation, benefits, and expenses paid for R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers and directors of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 11: Defendants object to this Request for Production of Documents to the extent it seeks the production of documents which are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production is overbroad, unreasonably burdensome, and oppressive. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce non-privileged responsive documents within five years of the filing of the Complaint relating only to John Taylor, JoLee Duclos and Bryan Freeman.

REQUEST FOR PRODUCTION NO. 12: All documents pertaining to all redemptions and transactions involving the Series C Preferred Shares of AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 12: Defendants object to this Request for Production of Documents to the extent it seeks production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege or the Accountant-Client Privilege. Defendants further object on the grounds that the documents are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have produced responsive documents to Plaintiff prior to filing the lawsuit.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN  
TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 10

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REQUEST FOR PRODUCTION NO. 13: All documents pertaining to all funds, services, or assets advanced or owed at any time by R. John Taylor to AIA Services Corporation or AIA Insurance, Inc., including all documents pertaining to any prepayment of such obligations.

RESPONSE TO REQUEST FOR PRODUCTION NO. 13: Defendants object to this request on the grounds that it is vague and ambiguous. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have previously produced the general ledger detail for John Taylor.

REQUEST FOR PRODUCTION NO. 14: All documents pertaining to assets, securities, equipment, credit arrangements, labor, services, or cash of AIA Insurance, Inc. or AIA Services Corporation which have been transferred assigned, lent, or advanced to R. John Taylor.

RESPONSE TO REQUEST FOR PRODUCTION NO. 14: Defendants object to this request on the grounds that it is vague and ambiguous. Defendants further object to this request on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, refer to responses to Requests for Production Nos. 11 and 13.

REQUEST FOR PRODUCTION NO. 15: All documents pertaining to all assets, securities, office space, equipment, credit arrangements, labor, services, or cash of AIA Insurance, Inc. or AIA Services Corporation which have been utilized, provided, transferred, assigned, lent, or advanced to Crop USA Insurance Agency, Inc.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN  
TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 11

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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RESPONSE TO REQUEST FOR PRODUCTION NO. 15: Defendants object to this request on the grounds that it is vague and ambiguous. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants refer Plaintiff to Exhibits A and B hereto.

REQUEST FOR PRODUCTION NO. 16: Any and all documents pertaining to indemnification of any of the Defendants in this action or payment of their legal fees and expenses by AIA Insurance or AIA Services Corporation, together with all Notices of Meetings of Shareholders or the Board of Directors of AIA Services Corporation of AIA Insurance, Inc. to address such issues.

RESPONSE TO REQUEST FOR PRODUCTION NO. 16: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants refer Plaintiff to the Bylaws of said corporations, which have already been produced and which govern the indemnification of Directors, and a special shareholders' meeting of Services, authorized the corporation to pay the legal fees. The shareholder minutes are attached as Exhibit C.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 12

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REQUEST FOR PRODUCTION NO. 17: All documents pertaining to all trust agreements, agreements, or contracts between AIA Insurance, Inc. or AIA Services Corporation and any party, entity, or association in which AIA Insurance, Inc., or AIA Services Corporation conducts business with or on behalf of, including without limitation, all trust agreements, all agreements with any associations, all agreements with any grower associations, all agreements with co-ops, insurance companies, and all agreement with Crop USA Insurance Agency, Inc. (including copies of all Bylaws of the foregoing).

RESPONSE TO REQUEST FOR PRODUCTION NO. 17: Defendants object to this Request for Production of Documents on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants, without waiving the foregoing objection and the General Objection and specifically reserving the same, have produced previously to Plaintiff responsive documents sought in Request for Production No. 17.

REQUEST FOR PRODUCTION NO. 18: All documents pertaining to all agreements, contracts, and the like between AIA Insurance, Inc., AIA Services Corporation, or Crop USA Insurance Agency, Inc. and R. John Taylor.

RESPONSE TO REQUEST FOR PRODUCTION NO. 18: Defendants object to this Request for Production of Documents to the extent it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, the

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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Agreements between R. John Taylor and the Companies have been previously produced to Plaintiff.

REQUEST FOR PRODUCTION NO. 19: All agreements, fee arrangements, contracts, and related documents involving AIA Insurance, Inc. or AIA Services Corporation pertaining to the litigation known as *In re: Universe Liquidator Grain Growers Trust, et al v. Idaho Department of Insurance* (a/k/a GGMIT lawsuit), and the status of such litigation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 19: Defendants object to Request for Production No. 19 on the grounds that it is vague and ambiguous. Defendants further object to this request to the extent that it seeks the production of documents protected from the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that their request seeks documents that are not relevant or reasonably calculated to lead to the discovery of admissible evidence.

REQUEST FOR PRODUCTION NO. 20: All documents pertaining to the status of the GGMIT lawsuit.

RESPONSE TO REQUEST FOR PRODUCTION NO. 20: Defendants object to this request on the grounds that it is vague and ambiguous. Defendants further object to this Request for Production of Documents to the extent it seeks the production of documents protected from the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce the recent Idaho Supreme Court decision related to the litigation.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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REQUEST FOR PRODUCTION NO. 21: All documents pertaining to all redemptions, agreements, contracts, and transactions involving the Series A Preferred Shares of AIA Services Corporation and the present balance owed to the holder of the Series A Preferred Shares of AIA Services.

RESPONSE TO REQUEST FOR PRODUCTION NO. 21: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine or the Attorney-Client Privilege. Defendants further object on the grounds that the documents are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have produced previously documents responsive to the redemption of the Series A Preferred Stock to Plaintiff.

REQUEST FOR PRODUCTION NO. 22: All documents pertaining to the parking lot purchased by R. John Taylor which is or has been used by AIA Insurance, Inc. or AIA Services Corporation, together with all payments or advances relating to such parking lot.

RESPONSE TO REQUEST FOR PRODUCTION NO. 22: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 15



the same, Defendants have previously produced documents responsive to payments, and will produce responsive documents relating to the acquisition of the parking lot by John R. Taylor.

REQUEST FOR PRODUCTION NO. 23: All documents pertaining to all minutes of all meetings involving all trust boards or membership associations.

RESPONSE TO REQUEST FOR PRODUCTION NO. 23: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object to this Request for Production of Documents to the extent it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege.

REQUEST FOR PRODUCTION NO. 24: All documents pertaining to AIA Insurance, Inc.'s purchase of Preferred C Shares of AIA Services Corporation and the present value of such alleged investment.

RESPONSE TO REQUEST FOR PRODUCTION NO. 24: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants previously have produced responsive documents relating to the purchase of Preferred C Shares of AIA Services Corporation.

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REQUEST FOR PRODUCTION NO. 25: All documents pertaining to the transfer or conversion of Preferred C Shares of AIA Services Corporation to shares of Crop USA Insurance Agency, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 25: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants previously produced responsive documents relating to the conversion of C Shares of AIA Services Corporation.

REQUEST FOR PRODUCTION NO. 26: All documents pertaining to all notices of shareholder meetings, notices of board meetings, shareholder resolutions, shareholder votes, shareholder meetings, board meetings, minutes of board or shareholder meetings, board resolutions, and any other corporate action involving AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 26: Defendants object to this Request for Production of Documents to the extent that it seeks production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object to this request on the grounds that it is vague and ambiguous. Without waiving the foregoing

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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objection and the General Objection and specifically reserving the same, Defendants will produce notices of shareholder and board meetings and the minutes of board meetings and shareholder meetings within five (5) years of filing the complaint

REQUEST FOR PRODUCTION NO. 27: All documents pertaining to any funds lent or advanced to any party or entity from the 401(k) Plan of AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 27: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object to this Request for Production on the grounds that it is unreasonable, burdensome and oppressive. Defendants further object to this Request for Production in that it is overbroad and seeks to invade the privacy of employees and members of the 401(k) Plan. Defendants further object to this Request for Production on the grounds that it is vague and ambiguous.

REQUEST FOR PRODUCTION NO. 28: All documents pertaining to shareholder lists of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 28: Defendants object to this Request for Production on the grounds that it seeks documents that are not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce shareholder lists within five (5) years prior to filing the complaint.

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REQUEST FOR PRODUCTION NO. 29: Documents pertaining to the names and addresses of the officers and directors of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 29: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce the names of the officers and directors of the Defendants within five (5) years prior to filing the complaint.

REQUEST FOR PRODUCTION NO. 30: Documents identifying all persons who are members of any advisory boards or committees to the board of directors of AIA Services Corporation or AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 30: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants do not have responsive documents.

REQUEST FOR PRODUCTION NO. 31: All documents pertaining to the spin off, transfer, or sale of the radio station owned at one time by AIA Services Corporation or AIA Insurance, Inc., known as KATW FM.

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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RESPONSE TO REQUEST FOR PRODUCTION NO. 31: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence.

REQUEST FOR PRODUCTION NO. 32: All documents pertaining to all vehicle purchases or leases involving AIA Insurance, Inc. or AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 32: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents are sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object that this Request for Production of Documents is unreasonable, burdensome and oppressive. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce any non-privileged responsive documents within their possession, custody or control relating to leases or purchases of automobiles within five years of the date of the filing of the Complaint.

REQUEST FOR PRODUCTION NO. 33: All documents pertaining to the current financial statements and balance sheets of AIA Insurance, Inc. or AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 33: Defendants object to this Request for Production of Documents to the extent it seeks production of documents protected from disclosure by the Attorney-Client Privilege, the Work Product Doctrine, or the Accountant-

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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Client Privilege (IRE 515). Defendants further object on the grounds that the documents sought are not relevant, are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object that this Request for Production of Documents is unreasonable, burdensome and oppressive. Finally, Defendants further object to this request for production of documents in that it is vague and ambiguous. Without waiving the foregoing objections and the General Objections, Defendants will produce the financial statement with Auditors Report for AIA Insurance 2006 and the consolidated balance sheet of AIA Services 2006 attached hereto as Exhibit D.

REQUEST FOR PRODUCTION NO. 34: All documents pertaining to the 2006 tax returns of AIA Insurance, Inc., or AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 34: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege or the Accountant-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production is unreasonable, burdensome and oppressive.

REQUEST FOR PRODUCTION NO. 35: Documents identifying the names, addresses, and positions of all employees and officers of AIA Insurance, Inc. and AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 35: Defendants object to this Request for Production of Documents on the grounds that the documents sought are not relevant


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and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production of Documents is vague and ambiguous as to the time period requested. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce non-privileged documents relating to names and positions of employees for the year end of 2006 as Exhibit E hereto.

DATED THIS 22 day of May, 2007.

HAWLEY TROXELL ENNIS & HAWLEY LLP

By 

Gary D. Babbitt ISB No 1486  
Attorneys for Defendants AIA Services  
Corporation, and AIA Insurance, Inc.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS  
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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 22 day of May, 2007, I caused to be served a true copy of the foregoing DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS by the method indicated below, and addressed to each of the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond PLLC  
508 Eighth Street  
Lewiston, ID 83501  
[Attorneys for Plaintiff]

☒ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Paul R. Cressman, Jr.  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
[Attorney for Defendants Duclos and Freeman]

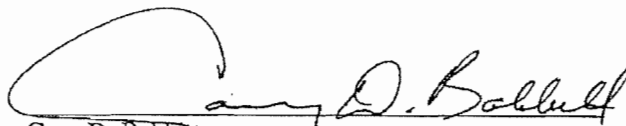
☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Michael E. McNichols  
Clements Brown & McNichols  
321 13th Street  
Lewiston, ID 83501  
[Attorneys for Defendant R. John Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, ID 83501  
[Attorneys for Defendant Connie Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

  
Gary D. Babbitt

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
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DOCUMENT DESCRIPTION
AIA Confidential Limited Valuation Report of Series C Preferred Shares, December 31, 2005
Valuation Ratio/Investment Value/WACC
Grain Growers Membership and Insurance Trust, as of January 1998
American Soybean Association Membership and Insurance Trust, Current Trust Declaration, as of February 1998
American Independent Associations Participating Trust Agreement and Declaration of Trust, Related as amended through November 5, 1998
National Contract Poultry Growers Association Membership & Insurance Trust, Restated as Amended January 17, 1997
National Growers and Stockmen Group Trust Agreement, dated March 1, 1980
Administrative Services Agreement Between Trustmark Insurance Company and AIA Insurance, Inc., dated December 1, 1997
Marketing Agreement between Trustmark Insurance Company and AIA Insurance, Inc., dated December 1, 1997
AIA - 2005 U.S. Corporation Income Tax Return, Form 1120 & other docs.
AIA - 2004 Amended U.S. Corporation Income Tax Return, Form 1120X
AIA - 2003 U.S. Corporation Income Tax Return for AIA, Form 1120 & other docs.
CropUSA - Principal Stockholders of CropUSA as of June 1, 2004
AIA - 2002 U.S. Corporation Income Tax Return, Form 1120 & other docs.
AIA - 2001 U.S. Corporation Income Tax Return, Form 1120 & other docs.
AIA - 2000 Amended U.S. Corporation Income Tax Return, Form 1120X
CropUSA - 2005 Corporate Return
CropUSA - 2004 Federal Tax Return
CropUSA - 2003 U.S. Corporation Income Tax Return, Form 1120 & other docs.
CropUSA - 2002 U.S. Corporation Income Tax Return, Form 1120 & other docs.
CropUSA - 2001 U.S. Corporation Income Tax Return, Form 1120 & other docs.
New Restated Bylaws of AIA Services Corporation, effective April 10, 1989

DOCUMENT DESCRIPTION	
AIA Consolidated Financial Statements, September 30, 2006	
AIA Consolidated Financial Statements, December 31, 2005	
AIA Consolidated Financial Statements, December 31, 2004	
AIA Consolidated Financial Statements, December 31, 2003	
AIA Consolidated Financial Statements, Years Ended December 31, 2002 and 2001	
AIA Consolidated Financial Statements, Years Ended December 31, 2001 and 2000	
AIA Consolidated Financial Statements, December 31, 2000 and December 31, 1999	
AIA Consolidated Financial Statements, Years Ended December 31, 1999 and 1998	audited
AIA Consolidated Financial Statements, Years Ended December 31, 1997 and 1996	
AIA Insurance, Inc. - Financial Statements, November 30, 2006	
AIA Financial Statements & Auditor's Report, December 31, 2005 and 2004	
AIA Financial Statements, Years Ended December 31, 2004 and 2005	
AIA Financial Statements, Years Ended December 31, 2003 and 2002	
AIA Financial Statements, Years Ended December 31, 2002 and 2001	
AIA Financial Statements, Years Ended December 31, 2001 and 2000	audited
AIA Financial Statements, Years Ended December 31, 2000 and 1999	
AIA Financial Statements, Years Ended December 31, 1999 and 1998	
AIA Financial Statements, Years Ended December 31, 1998 and 1997	
AIA Financial Statements, Years Ended December 31, 1997 and 1996	
AIA Financial Statements, Years Ended December 31, 1996 and 1995	
AIA Financial Statements, Years Ended December 31, 1995 and 1994	
CropUSA Insurance Agency, Income Statement Pro Forma, December 31, 2006	
CropUSA Insurance Agency, Financial Statements, November 30, 2006	
CropUSA Insurance Agency, Financial Statements & Auditor's Report, December 31, 2005 and 2004	
CropUSA Insurance Agency, Financial Statements, Years Ended December 31, 2004 and 2003	audited
CropUSA Insurance Agency, Financial Statements, Years Ended December 31, 2003 and 2002	
CropUSA Insurance Agency, Financial Statements, Year Ended December 31, 2002	

EXHIBIT

A

DOCUMENT DESCRIPTION
Articles of Amendment to the Articles of Incorporation of AIA Services Corporation, dated February 17, 1989, & other docs.
Bylaws of A.I.A., Inc., dated January 5, 1988
Articles of Incorporation of A.I.A., Inc., dated January 28, 1977, & other docs.
Bylaws of AIA Crop Insurance, Inc., dated January 11, 2000
Articles of Incorporation of AIA Crop Insurance, Inc., dated November 17, 1999 & other docs.
CropUSA Subscription Agreement & other docs - Maplewood, MN
CropUSA Subscription Agreement & other docs - Houston, TX
CropUSA/Taylor/AGM - Closing Documents 2006
CropUSA/Taylor/AGM - Loan and Security Agreement
Schedule A to Loan and Security Agreement, dated October 27, 2006
Exhibit A Request for Advance
Exhibit B Availability Report
Exhibit C Assignment and Acceptance Agreement
Exhibit D Compliance Certificate
Exhibit E Form of a Promissory Note
Exhibit F Form of Monthly Policy Report
Exhibit G Form of Retained or Excess Premium Report
Exhibit H Form of A&O Subsidy Aging
Exhibit I Form of Insured Premium Receivables Aging
Exhibit J Form of FCIC Premium Submissions, Rejections and Resolutions
Exhibit K Form of Insured Loss Claims
Exhibit L Form of Non-Renewal Report
Exhibit M Net Income Covenant
Promissory Note
Solvency Certificate, dated October 27, 2006
Guaranty/John Taylor, effective as of October 27, 2006
Guaranty/AIA, effective as of October 27, 2006
Consent and Agreement, dated October 27, 2006
Control Agreement for Deposit Account at U.S. Bank National Association
Blocked Account Control Agreement
Certificate of Deposit Control Agreement Taylor/Beck/Cashman, dated October 27, 2006
Certificate of Deposit Control Agreement Taylor/Lamberjack, dated October 27, 2006
Pledge Agreement Taylor/AGM, dated October 27, 2006
Pledge Agreement Taylor/Lamberjack, dated October 27, 2006
Pledge Agreement Taylor/Beck/Cashman, dated October 27, 2006
UCC Information Request and Authorization Form

UCC Financing Statement, dated October 31, 2006
UCC Financing Statement Amendment, dated October 31, 2006
UCC Financing Statement Amendment, dated October 31, 2006
Officer's Certificate Crop USA Insurance Agency, Inc., dated October 27, 2006
Exhibit A - Articles of Incorporation
Exhibit B - Bylaws & other docs.
Exhibit C - Resolutions of Corporation
Exhibit D - Certificate of Existence and Good Standing of Corporation
Exhibit E - Fictitious Name Certificates
Officer's Certificate of AIA Insurance, Inc., dated October 27, 2006
Exhibit A - Articles of Incorporation
Exhibit B - Bylaws
Exhibit C - Resolutions
Exhibit D - Certificate of Existence and Good Standing
Exhibit E - Fictitious Name Certificates
Zions First National Bank, October 26, 2006
Private Bank Minnesota, October 25, 2006
Private Bank Minnesota, October 27, 2006
Letter from Quarles & Brady LLP to Lancelot/AGM, dated October 27, 2006
Letter from Hawley Troxell Ennis & Hawley to Lancelot/AGM, October 27, 2006

## **EXHIBIT C**

June 8, 2007

**VIA E-MAIL: [gdb@hteh.com](mailto:gdb@hteh.com)  
AND U.S. MAIL**

Gary D. Babbitt, Esquire  
Hawley Troxell Ennis & Hawley LLP  
877 Main Street, Suite 1000  
Post Office Box 1617  
Boise, Idaho 83701-1617

Re: *Reed J. Taylor v. AIA Services Corp. et al.* – Discovery Conference

Dear Mr. Babbitt:

The purpose of this letter is to confirm the matters that we discussed yesterday morning during our CR 26 discovery conference regarding AIA Services Corporation and AIA Insurance, Inc.'s (collectively "AIA") responses to Reed Taylor's First Requests for Production of Documents to AIA. As we discussed, you will be sending me a letter on Wednesday of next week which clarifies AIA's responses and responds specifically to certain Discovery Requests as described below.

During our conference, you objected to Reed Taylor's document requests on the grounds that there was no time period to which the document requests pertain. However, page 3 of Reed Taylor's Requests for Production of Documents states the following time period: "[t]hese Requests for Production cover the time period January 1, 1995, through the date this litigation concluded." For your reference, an original version of Reed Taylor's Requests for Production of Documents was attached to your Affidavit in Support of AIA's Motion for Protective Order.

You have also objected to producing documents greater than five years before the Complaint was filed for statute of limitations purposes. However, for the reasons stated in Reed Taylor's Opposition to AIA's Motion to Dismiss, documents dated prior to five years from the filing of the Complaint are relevant because the statute of limitations has been tolled, and because the Reed Taylor's other causes of action, including the fraud-related causes of action, and including breaches of fiduciary duties, are not barred by the statute of limitations. Reed Taylor again requests that AIA produce documents for the time period stated in his Requests for Production of Documents, from January 1, 1995, through the date this litigation is concluded.

The following pertains to each of the specific Requests for Production that we discussed during the discovery conference:

**REQUEST FOR PRODUCTION NO. 1:**

You stated that AIA would produce the general ledgers of AIA Services, but not AIA Insurance, Inc. AIA would not be producing the general ledgers of AIA Insurance, Inc., because you stated that Reed Taylor had been provided the audit financial status for AIA Insurance Inc. This information is relevant and discoverable, and Reed Taylor again requests the general ledgers and associated journal entries be produced for AIA Insurance.

**REQUEST FOR PRODUCTION NO. 2:**

You stated that RFP No. 2 was too burdensome because of the amount of documents that were responsive to the request. As stated in the discovery conference, Reed Taylor clarifies the request in that if the general ledgers and journal entries are provided, Reed Taylor would then designate the supporting documents he desires to review.

**REQUEST FOR PRODUCTION NO. 3:**

You refused to produce responsive documents on the ground that it was too burdensome.

**REQUEST FOR PRODUCTION NO. 4:**

You stated that AIA would provide the check registers for AIA Services Corporation, but not AIA Insurance. The check registers for AIA Insurance are discoverable and Reed Taylor demands that they be produced. Given that Reed Taylor has a perfected security interest in AIA that has not been paid, he is entitled to discover what payments are being made by AIA.

**REQUEST FOR PRODUCTION NO. 5:**

You again refused to produce both the working papers and correspondence of AIA Services and AIA Insurance's accountants on the ground of the accountant-client privilege. As stated in Reed Taylor's Opposition to AIA's Motion for Protective Order, this objection is invalid.

**REQUEST FOR PRODUCTION NO. 6:**

You stated you would be taking this request under consideration and would be responding in your letter to be sent on Wednesday next week. Again, to clarify, Reed Taylor is seeking documents describing the accounting system used by AIA Services and AIA Insurance, and specifically any manuals, etc. for those accounting systems.

**REQUEST FOR PRODUCTION NO. 7:**

I clarified during the discovery conference that in this request, Reed Taylor is seeking all documents similar to the administrative agreement between AIA Insurance and CropUSA for any of the other stated entities in the RFP. You stated that you would send us a letter regarding

Gary D. Babbitt, Esquire  
June 8, 2007  
Page 3

whether there are any other similar documents or administrative agreements between AIA Services, AIA Insurance, and the other entities.

**REQUEST FOR PRODUCTION NO. 8:**

You again objected on the ground of relevance. These documents are relevant, given that Reed Taylor has a perfected security interest in AIA, and upon information and belief, AIA Insurance has pledged its credit for CropUSA.

**REQUEST FOR PRODUCTION NO. 9:**

We clarified this request during our conference to request the Articles of Incorporation, Bylaws, and minutes for AIA Services and AIA Insurance and any amendments thereto. You stated that you would be responding to this in your letter to follow.

**REQUEST FOR PRODUCTION NO. 10:**

You objected to this request for the e-mails of the stated parties on the ground that it was too burdensome, even though the e-mails are in an electronic format. I asked in what form these e-mails were kept, i.e., Outlook, Hotmail, or other format, and you were unable to respond. I asked you to so advise me. Documents in the electronic form are searchable and in fact are more easily searchable than paper documents. In order to address your concerns of doing a privilege review, I offered that the parties enter into a "clawback agreement" whereby any inadvertently produced privileged document would be returned, and thus would be no waiver of any privilege. You refused to agree to enter into such an agreement.

The e-mails of the stated parties, including John Taylor, are relevant and discoverable in this action. AIA must produce these documents in the form in which they are kept, and I.R.C.P. 34(a) clearly provides for the production of electronic documents "in any medium." Reed Taylor again demands that the emails of the stated parties be produced by AIA.

**REQUEST FOR PRODUCTION NO. 11:**

You stated that you would be responding to us in a letter regarding this request.

**REQUEST FOR PRODUCTION NO. 12:**

The request seeks "all documents pertaining to all redemptions and transactions involving the Series C preferred shares of AIA Services Corporation." You stated that all responsive documents have been produced to Reed Taylor. The information that Reed Taylor has been provided regarding redemptions and transactions involving the Series C preferred shares of AIA Services Corporation is extremely limited. Please supplement this response or state in your letter whether or not there are any more requested documents.



**REQUEST FOR PRODUCTION NO. 13:**

We will review the documents provided to Reed Taylor and respond to you whether additional information is required.

**REQUEST FOR PRODUCTION NO. 14:**

We will review the documents provided to Reed Taylor and respond to you whether additional information is required.

**REQUEST FOR PRODUCTION NO. 15:**

Information regarding assets provided to AIA Insurance and AIA Services Corporation to CropUSA is discoverable given Reed Taylor's perfected security interest in AIA. If it is AIA's position that all documents responsive to this request have been provided to Reed Taylor, Reed Taylor requests that AIA supplement its response to state as such.

**REQUEST FOR PRODUCTION NO. 16:**

The amount of legal fees paid by AIA Insurance and AIA Services and the billings are not privileged and discoverable. Reed Taylor requests that the documents be produced.

**REQUEST FOR PRODUCTION NO. 17:**

You stated that AIA was standing by its objections. The trust agreements are discoverable because Reed Taylor is entitled to know whether, for example, the associations or related companies have borrowed money from AIA Insurance or AIA Services given Reed Taylor's perfected security interest with AIA Insurance.

**REQUEST FOR PRODUCTION NO. 18:**

You stated that AIA would not be producing the agreements between AIA Insurance, AIA Services, and CropUSA. These documents are discoverable for the reasons stated in the previous paragraphs and Reed Taylor demands that these documents be produced. Reed Taylor will review the documents provided by AIA to determine whether contracts between John Taylor and the stated entities have been provided. We asked that you confirm that all contracts have been produced.

**REQUEST FOR PRODUCTION NO. 19:**

You stated that AIA was refusing to produce any documents responsive to this request. Again, Reed Taylor is seeking the attorney fee agreements and related documents from the GGMIT lawsuit. The agreements and resolutions of AIA regarding the payment of attorney fees for this lawsuit are relevant and discoverable. In addition, the pertinent pleadings and all

Gary D. Babbitt, Esquire  
June 8, 2007  
Page 5

settlement documents and documents evidencing payment to AIA are also discoverable, and Reed Taylor requests that they be produced.

**REQUEST FOR PRODUCTION NO. 20:**

As stated in the discovery conference, Reed Taylor clarifies RFP No. 19. Reed Taylor requests that AIA produce the Complaint and Answers filed in the GGMIT, and all amendments thereto, which identify the amount sought by AIA Insurance or AIA Services and all documents identifying the amount AIA Insurance or AIA Services recovered, for example, any settlement agreements, checks, etc. You stated that AIA would look into this and respond.

**REQUEST FOR PRODUCTION NO. 21:**

You stated that you would be responding in your letter as to the present balance owed to Donna Taylor. You stated that you would also respond to the issue of whether all documents responsive to RFP 21 have been produced by AIA.

**REQUEST FOR PRODUCTION NO. 22:**

You stated that you would produce the documents responsive to this request, that they are currently being bates stamped, and would probably be available today.

**REQUEST FOR PRODUCTION NO. 23:**

You stated that you would respond to RFP No. 23 in your letter.

**REQUEST FOR PRODUCTION NO. 24:**

Reed Taylor requests that you supplement this response to indicate whether all documents pertaining to AIA Insurance's purchase of Series C preferred shares of AIA Services have been produced.

**REQUEST FOR PRODUCTION NO. 25:**

Reed Taylor requests that you confirm that all documents responsive to RFP No. 25 have been produced to Reed Taylor.

**REQUEST FOR PRODUCTION NO. 26:**

You stated that you would produce documents responsive to the request for the five years prior to the Complaint being filed. For the reasons stated above in this letter, the documents from 1995 to the present are discoverable and should be produced.

Gary D. Babbitt, Esquire  
June 8, 2007  
Page 6

**REQUEST FOR PRODUCTION NO. 27:**

As we discussed during the discovery conference, Reed Taylor clarifies this Discovery Request. Reed Taylor does not request documents regarding whether any employee or officer borrowed money from their own 401(k) accounts. Reed Taylor only seeks documents pertaining to funds lent or advanced to any party or entity from the 401(k) plan of AIA Services that was not from that individual's own personal 401(k) account.

**REQUEST FOR PRODUCTION NO. 28:**

You stated that AIA was not willing to produce a shareholder list back to January 1, 1995. Again, for the reasons stated in this letter, the documents are discoverable and should be produced.

**REQUEST FOR PRODUCTION NO. 29:**

You stated that you would give the names of the officers and directors of AIA Services or AIA Insurance, but would not provide the addresses for the officers and directors. This information is discoverable and is in fact necessary for Reed Taylor to conduct additional discovery.

**REQUEST FOR PRODUCTION NO. 30:**

I asked that you verify that there are not, and have not been, any advisory boards or committees to the Board of Directors for AIA Services and AIA Insurance. Please verify this and advise in your Wednesday letter.

**REQUEST FOR PRODUCTION NO. 31:**

For the reasons previously stated, information regarding the sale of the radio station is discoverable given that Reed Taylor has a perfected security interest that has been unpaid. In addition, AIA's objections based on the work product and attorney-client privilege doctrine are clearly incorrect and should be withdrawn.

**REQUEST FOR PRODUCTION NO. 32:**

You stated that you would produce documents regarding the vehicle purchases and leases for the previous five years. Again, for the reasons stated above, documents prior to five years before the Complaint are discoverable and relevant. In addition, these documents are clearly not work product or attorney-client privilege, and Reed Taylor requests that these objections be withdrawn.

Gary D. Babbitt, Esquire  
June 8, 2007  
Page 7

**REQUEST FOR PRODUCTION NO. 33:**

The current financial statements and balance sheets of AIA Insurance and AIA Services are not protected by the attorney-client privilege, work product doctrine, or accountant-client privilege, and therefore Reed Taylor requests that these objections be withdrawn. In addition, to clarify the Discovery Request, as we discussed during the discovery conference, Reed Taylor only seeks the documents pertaining to the financial statements and balance sheets of AIA Insurance or AIA Services which have not already been produced. All financial statements should be produced.

**REQUEST FOR PRODUCTION NO. 34:**

Reed Taylor clarifies this Discovery Request in that he is only seeking AIA Insurance and AIA Services 2006 tax returns. You stated that you will check on whether these are available and respond in your letter. I understand earlier returns have been produced.

**REQUEST FOR PRODUCTION NO. 35:**

You stated that you would supplement AIA's response to identify the names and positions of all employees and officers of AIA Insurance and AIA Services for the previous five years. As stated above, the information is discoverable beyond five years from the date the complaint was filed and thus these documents should be produced. In addition, the addresses of the employees and officers of AIA Insurance and AIA Services are discoverable and should be produced for the reasons stated above.

In addition, to the extent that any documents have been withheld from production to Reed Taylor on the basis of any privilege, including the attorney-client privilege, work product doctrine, or accountant-client privilege, Reed Taylor requests that AIA prepare a privilege log in accordance with I.R.C.P. 26(d)(A), which describes the nature of the document that "will enable Reed Taylor to assess the applicability of the privilege that AIA relies upon.

Finally, this letter should not be construed as a waiver by Reed Taylor of his right to rely upon any of the specific document requests contained in the First Requests for Production of Documents to AIA Services and AIA Insurances.

Sincerely,

AHLERS & CRESSMAN PLLC

Paul R. Cressman, Jr.

PRC:ww

cc: Reed Taylor  
Roderick C. Bond, Esquire

## **EXHIBIT D**



877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, Idaho 83701-1617  
(208) 344-6000 Fax (208) 342-3829  
www.hteh.com

GARY D. BABBITT  
ADMITTED TO PRACTICE LAW IN IDAHO AND OREGON  
EMAIL: GDB@HTEH.COM  
DIRECT DIAL: (208) 388-4820

June 13, 2007

Paul Cressman  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088

Re: *Taylor v. AIA et al./Discovery Conference/Supplementation of Responses*

Dear Paul:

This letter is in response to the discovery conference on June 7, 2007 during which we discussed the Defendant companies' responses to Plaintiff's First Request for Production dated May 22, 2007. The purpose of this letter is to explain the offer to Plaintiff of a proposed audit of AIA Services and to clarify or supplement certain of Defendants' responses to the discovery requests.

**A. Audit of AIA Services.**

AIA Services offers to Plaintiff the opportunity to audit Services' financial records on the following terms and conditions:

1. The audit is of AIA Services, not AIA Insurance (you already have the AIA Insurance audits), and the audit is to be limited to the years 2002, 2003, 2004, 2005, and 2006.
2. Services will designate the location for the audit;
3. A representative(s) of Services will be present and monitor the audit at all times;
4. Plaintiff may not remove any documents from the designated audit premises;
5. Services will control the copying of all Services documents which Plaintiff requests to be copied;
6. The audit will be during normal business hours, 8:00 a.m. to 5:00 p.m., excluding holidays and weekends;

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Paul Cressman  
June 13, 2007  
Page 2

7. All copied documents will be numbered before leaving the audit premises;
8. Services' representatives may not be questioned concerning allegations in the lawsuit or the interpretation of documents;
9. Questions concerning location or particular documents or files must be directed to Hawley Troxell Ennis & Hawley LLP;
10. Defendants do not waive any objections under the Idaho Rules of Evidence in respect to any document produced or copied;
11. In the event that a privileged document is produced or copied for Plaintiff, Plaintiff shall immediately return the document to AIA Services defense counsel. The term privilege shall include attorney-client privilege, attorney work-product privilege, and the accountant-client privilege. Neither such document or its contents may be used in discovery or in the trial of this case; and
12. A stipulation shall be prepared and filed in this case reflecting the Audit guidelines.

**B. Requests For Production Of Documents.**

With regard to the time period in general, you are seeking documents for a period of time prior to the amended agreement, and you have not explained why documents are necessary back to January 1, 1995.

In discussing these following specific discovery requests, Defendants do not waive, and specifically reserve, all previously stated objections. Defendants will, however, serve Supplemental Responses to Request for Production with regard to some of the issues discussed below

Request for Production No. 1. I did not state that AIA would produce the general ledgers of AIA Services. I told you that AIA Services was offering an audit, as explained above. The audits for AIA Insurance have already been provided to the Plaintiff, and you did not take the opportunity again to explain why the audits are inadequate or why additional information is needed. Furthermore, the Plaintiff has had the 1995 to 2006 audits of AIA Insurance for several months, but there have been no specific requests for specific information pertaining to any of the audits as of this date.

Request for Production No. 2. Request for Production No. 2 is overly broad and burdensome. As your client is familiar with the bookkeeping of the company, it must be clear to him which general ledgers and supporting documents he seeks, yet you have made no specific request for specific ledgers. Instead, Request for Production No 2 is a fishing expedition into

Paul Cressman  
June 13, 2007  
Page 3

the books and records of AIA Insurance without regard to the relevancy of the documents or the cost or administrative expense of producing the documents.

Request for Production No. 3. This request is overly broad and burdensome, and you again fail to indicate the scope of this request, what the Plaintiff is looking for, and the relevance of such a broad request.

Request for Production No. 4. AIA does not have check registers.

Request for Production No. 5. You again asserted your right to working papers and confidential communications between AIA and its accountants. We disagree on the law relating to the accountant-client privilege.

Request for Production No. 6. AIA will produce the operating manual for its accounting program, which is UA Corporate Accounting, version 7.

Request for Production No. 7. You clarified during the discovery conference that this request seeks documents similar to the Administrative Agreement between AIA Insurance and Crop USA for any of the other stated entities in the RFP. There are no similar documents with regard to the other entities.

Request for Production No. 8. AIA does not believe this request seeks relevant documents. In any event, Plaintiff already has the October 27, 2006 Loan and Security Agreement involving CropUSA, and there are no other responsive documents for the five years prior to commencement of this litigation.

Request for Production No. 9. In response to our concerns regarding this request, you clarified this request and restricted it to articles of incorporation, bylaws and minutes for AIA Services and AIA Insurance. All bylaws and articles of incorporation, including amendments, have been produced, and the minutes for the last five years will be produced.

Request for Production No. 10. This request for all emails contains no limitations as to scope, is overly broad, burdensome, and seeks documents that are not relevant to the litigation.

Request for Production No. 11. Defendants will produce non-privileged responsive documents within 5 years of filing the Complaint.

Request for Production No. 12. Defendants will produce responsive documents for the five years prior to commencement of this litigation.

Request for Production No. 15. AIA has produced the Administrative Agreement between AIA and CropUSA.

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Paul Cressman  
June 13, 2007  
Page 4

Request for Production No. 16. This request does not conform to your comments relating to Request for Production No. 16. This request includes far more than the amount of legal fees paid by AIA Insurance and/or AIA Services. The billings are privileged and not discoverable.

Request for Production No. 17. Defendants have produced the trust agreements and the agreements with CropUSA for the five year period prior to commencement of this litigation, but Defendants object to the remainder the request on grounds that it seeks documents that are not relevant to this litigation, is overbroad, and overly burdensome.

Request for Production No. 18. All agreements between John Taylor and the companies have been previously produced to Plaintiff.

Request for Production No. 19. This request seeks document protected by the attorney-client privilege. The fee agreements that AIA Insurance or AIA Services have in the case of *Universal Liquidators Grain Growers Trust v Idaho Dep't of Insur.* are privileged. The pertinent pleadings are public record and are as easily obtainable by you as by AIA Services or AIA Insurance. There is no settlement agreement outside the court record among the parties in that case.

Request for Production No. 20. This request seeks documents which are of public record and which the Plaintiff knows well. The Plaintiff may access District Court and Supreme Court records pertaining to the lawsuit as easily as the Defendant companies.

Request for Production No. 21. Defendants have previously produced all known documents to Plaintiff. As of May 21, 2007, the balance owed to Donna Taylor is \$504,545.43.

Request for Production No. 23. Defendants will produce the minutes for the five year period prior to commencement of this litigation.

Request for Production No. 24. Defendants have produced all known documents to Plaintiffs and, additionally, Defendants will produce a 2005 Appraisal.

Request for Production No. 25. Defendants have produced all known responsive documents to Plaintiff.

Request for Production No. 26. Defendants will produce notices of shareholder and board meetings and the minutes of board meetings and shareholder meetings within five years of the filing of the complaint.

Request for Production No. 27. You have explained that this request only covers loans from the 401(k) plan which are not for employees' own 401(k) account. There are no responsive documents.

Paul Cressman  
June 13, 2007  
Page 5

Request for Production No. 28. This request is not a request for production for shareholder lists but is a request for all documents pertaining to shareholder lists. Nevertheless, AIA Insurance and AIA Services have agreed to produce shareholder lists for five years preceding the filing of the complaint.

Request for Production No. 29. We have agreed to provide the names of officers and directors of AIA Insurance or AIA Services for the five years preceding the filing of the complaint, but not their addresses. This is an invasion of privacy and you have not advanced any reason for knowing the addresses of the officers or directors other than for potential harassment purposes.

Request for Production No. 30. AIA Insurance and AIA Services direct Plaintiff to the Response to Request for Production No. 30 wherein the Defendants have stated they do not have responsive documents.

Request for Production No. 31. AIA Insurance and AIA Services will not withdraw their objections to Request for Production No. 31.

Request for Production No. 32. AIA Insurance and AIA Services direct Plaintiff to the Response to Request for Production No. 32 wherein Defendants state that they will "produce any nonprivileged responsive documents within their possession or control relating to leases or purchases of automobiles within five years from the date of the filing of the complaint."

Request for Production No. 33. AIA Insurance and AIA Services direct Plaintiff to the Defendants' Response to Request for Production No. 33 which states, in pertinent part, "Defendants will produce the financial statement with auditor's report for AIA Insurance 2006 and the consolidated balance sheet of AIA Services 2006 . . . ."

Request for Production No. 34. The tax return for 2006 is not yet prepared.

Request for Production No. 35. The addresses of employees and officers of AIA Insurance and AIA Services are not relevant and you have advanced no reason for the necessity of addresses. This request is meant only for harassment and is burdensome and oppressive.

This letter should not be construed as a waiver of any of AIA Insurance's or AIA Services' objections or responses in its response to request for production dated May 22, 2007.

Paul Cressman  
June 13, 2007  
Page 6

Very truly yours,

HAWLEY TROXELL ENNIS & HAWLEY LLP

 *D. Babbitt*  
Gary D Babbitt

GDB/tb

## **EXHIBIT E**

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

Gary D. Babbitt ISB No. 1486  
D. John Ashby ISB No. 7228  
HAWLEY TROXELL ENNIS & HAWLEY LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, ID 83701-1617  
Telephone: (208) 344-6000  
Facsimile: (208) 342-3829  
Email: gdb@hteh.com  
jash@hteh.com

Attorneys for Defendants AIA Services Corporation  
and AIA Insurance, Inc.

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN a single person; and  
JOLEE DUCLOS, a single person,

Defendants

Case No. CV-07-00208

DEFENDANTS AIA SERVICES  
CORPORATION AND AIA  
INSURANCE, INC.'S SUPPLEMENTAL  
RESPONSES TO PLAINTIFF'S FIRST  
REQUESTS FOR PRODUCTION OF  
DOCUMENTS TO DEFENDANTS AIA  
SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR,  
BRYAN FREEMAN, AND JOLEE  
DUCLOS

TO: REED J. TAYLOR AND HIS COUNSEL OF RECORD

COME NOW AIA Services Corporation and AIA Insurance, Inc., Defendants in the  
above-entitled action, by and through their counsel of record, Hawley Troxell Ennis & Hawley

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 1

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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LLP, and, in accordance with the requirements of Rule 34 of the Idaho Rules of Civil Procedure, and hereby file their response to Plaintiff's First Requests for Production of Documents to Defendants AIA Services Corporation, AIA Insurance, Inc., R. John Taylor, Bryan Freeman, and JoLee Duclos.

Unless otherwise specified, inspection and copying will be permitted as requested, except that some other time and place which is mutually agreeable to the parties may be substituted for the time and place specified in the request.

#### **PRELIMINARY STATEMENT**

1. These responses are made solely for purposes of this action. Any document produced by Defendants in response to the Requests is subject to all objections as to competence, relevance, materiality, propriety, and admissibility, as well as to any all other objections on any grounds that would require the exclusion of the document or any portion thereof if such document was offered in evidence, all of which objections and grounds are hereby expressly reserved and may be interposed at the time of any deposition or at or before any hearing or trial in this matter.

2. No incidental or implied admissions are intended by these responses. The fact that Defendants agree to produce documents in response to particular requests or furnish information in response to an interrogatory is not intended and should not be construed as an admission that Defendants accept or admit the existence of any facts set forth or assumed by such requests or interrogatories, or any of such documents, or that any of such documents or information constitutes admissible evidence. The fact that Defendants agree to produce in response to a particular request or furnish information in response to a particular request or

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 2

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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interrogatory is not intended and should not be construed as a waiver by Defendants of any part of any objection to such request or interrogatory or any part of any general objection made herein.

3. Defendants have not completed their investigation of this action, have not completed their discovery, and may discover additional documents or information responsive to the requests in the future. Some of the documents that are sought by the requests are not routinely compiled by Defendants and are not readily accessible to any agent or employee of Defendants. These responses are based on Defendants' knowledge, information, and belief at this time, and are based on Defendants' diligent search of those records that they have located and that they reasonably believe might contain the documents demanded. Therefore, these responses and the documents and other information that may be produced in connection with the requests are without prejudice to the rights of Defendants to supplement these responses or to use any later discovered documents or information for any purpose in connection with this suit.

#### **GENERAL OBJECTIONS**

1. Defendants object to Plaintiff's first set of Requests for Production on the grounds that Defendants' Motion to Dismiss is currently pending. Unless and until the Court has ruled, no discovery should be had in order to protect Defendants from annoyance, oppression, undue burden and expense.

2. Defendants object to Plaintiff's discovery to the extent that Plaintiff seeks information already in the possession of the Plaintiff or in the possession of third parties from whom such information may be more readily and/or cost effectively obtained. Attached hereto

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLIE DUCLOS - 3

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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are lists of documents voluntarily produced to Plaintiff or Plaintiff by Defendants to Plaintiff or Plaintiff's counsel prior to filing the Complaint, hereinafter "Document Lists A & B".

3. Defendants object to the discovery insofar as Plaintiff purports to seek documents or information covered by the Attorney-Client Privilege, the Attorney-Work Product Privilege or Doctrine, or the Accountant-Client Privilege. Based on these privileges, Defendants will not produce any such documents. This objection includes any and all correspondence between Defendants' agents and/or employees and counsel for Defendants or Defendant's accountants. Moreover, this objection includes any and all notes of meetings, internal or otherwise, and draft documents which were prepared for or by counsel or at the direction of counsel for purposes of, or in anticipation of litigation. Defendants object to the production of any and all documents or other information protected by the Attorney-Client Privilege and/or Attorney-Work Product Doctrine or Accountant-Client Privilege. Defendants object to the procedure set forth by Plaintiff to assert a claim of privilege on the grounds and to the extent that it is oppressive and unreasonable and seeks to impose obligations not imposed by Idaho Rule of Civil Procedure 26 and on the further basis that the information requested is itself within the scope of the Attorney-Client Privilege.

4. Defendants object to the requests insofar as Plaintiff purports to seek documents and information containing private and confidential information regarding non-parties to this action.

5. Defendants object to Plaintiff's first set of Request for Production insofar as Plaintiff purports to seek documents and other information containing confidential, proprietary or sensitive information which may impair or impede Defendants' ability to continue business.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 4

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AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

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6. Defendants object to Plaintiff's discovery to the extent that Plaintiff purports to seek information beyond the scope of the complaint filed in this action.

7. Defendants object to each request to the extent it seeks to require Defendants to produce all documents that "memorialize, pertain to, have connection to, or reference in any way" referenced documents on the grounds that such phrase is vague and ambiguous. Literally construed, said phrase is over broad, unduly burdensome and is not reasonably calculated to lead to the discovery of admissible evidence.

8. Plaintiffs claims are barred by applicable statutes of limitations and, the Requests for Production seek documents relating to the claims barred by the relevant statutes of limitations. It would be, therefore, unreasonable, burdensome, and oppressive to produce such documents until the court rules on Defendants' Motion to Dismiss.

9. Defendants object on the grounds that the requests seek documents previously produced to Plaintiff partially set forth on Exhibits A and B and are duplicative and burdensome, oppressive and unreasonable.

10. Plaintiff has failed to specify a time and place for the production of documents pursuant to this Request.

11. Plaintiff has failed to state his Requests with particularity and his Requests are vague, unintelligible and ambiguous.

The foregoing general objections are incorporated verbatim into each of the following responses. Each and every response herein is made subject to, and without waiver of, the general objections.

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## REQUESTS FOR PRODUCTION

REQUEST FOR PRODUCTION NO. 1: All detailed general Ledgers and all journal entries for AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 1: Defendants object to this request on the grounds that information sought is not relevant and is not reasonably calculated to lead to discovery of admissible evidence. Defendants further object to this request on the grounds that it is overbroad, unreasonable, burdensome and oppressive.

REQUEST FOR PRODUCTION NO. 2: All supporting documents for the general ledgers and journal entries of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 2: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Defendants object further that this Request for Production is unreasonable, burdensome and oppressive and would impose a huge administrative burden on the Defendants to produce such documents and the cost of such production would be substantial. This request seeks the production of documents for more than five years prior to the filing of the Complaint and is further objectionable as the underlying claim is barred by the Statute of Limitations.

REQUEST FOR PRODUCTION NO. 3: All monthly and other periodic bank statements for all bank accounts of AIA Services Corporation and AIA Insurance, Inc., including all checks, wire transfers, automatic deposits and withdrawals, credits and debits.

RESPONSE TO REQUEST FOR PRODUCTION NO. 3: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and not

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reasonably calculated to lead to the discovery of admissible evidence. Defendants object further that this Request for Production is overbroad, unreasonable, burdensome and oppressive and would impose a huge administrative burden on the Defendants to produce such documents and the cost of such production would be substantial. Finally, there are hundreds of thousands of documents that may fit within the scope of this request, which would impose an unreasonable and impossible burden and cost on the Defendants.

REQUEST FOR PRODUCTION NO. 4: All check registers for AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 4: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and not reasonably calculated to discovery of admissible evidence. Without waiving these objections, Defendants do not have check registers.

REQUEST FOR PRODUCTION NO. 5: All working papers of outside accountants of AIA Services Corporation and AIA Insurance, Inc., and all correspondence and e-mails involving such accountants.

RESPONSE TO REQUEST FOR PRODUCTION NO. 5: Defendants object to this Request for Production to the extent it seeks the production of documents protected by the Accountant-Client Privilege (IRE 515). Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object to this request on grounds that it is vague and ambiguous.

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REQUEST FOR PRODUCTION NO. 6: All documents describing the type of accounting system utilized at any time by AIA Services Corporation and AIA Insurance, Inc., the type of software for such systems, the ability to transfer or download accounting and financial information electronically and into Excel, and all other documents pertaining to the accounting systems of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 6: Defendants object to Request for Production No. 6 on the grounds that it is vague and ambiguous, and on the grounds that it seeks information that is not relevant or reasonably calculated to lead to discovery of admissible evidence. Without waiving these objections, Defendants will produce the operating manual for its accounting program.

REQUEST FOR PRODUCTION NO. 7: All documents pertaining in any way to AIA Services Corporation and AIA Insurance, Inc., sharing, lending, or advancing expenses, personnel, funds, resources, and premises with any other company, including, but not limited to, Crop USA Insurance Agency, Inc., Sound Insurance, Pacific Empire Communications Corporation, Pacific Empire Holdings Corporation, Pacific Empire Radio Corporation, Radio Leasing, LLC., and any other entity, association, or party, including all checks and other documents pertaining to reimbursement or payments to AIA Services Corporation and AIA Insurance, Inc., and any associated accounts receivables, loans or credit arrangements.

RESPONSE TO REQUEST FOR PRODUCTION NO. 7: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object that this Request for Production is unreasonable, burdensome and oppressive. Without waiving

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the foregoing objection or the General Objections, Defendants refer the Plaintiff to Exhibits A & B hereto.

REQUEST FOR PRODUCTION NO. 8: All credit authorizations, lines of credit, credit arrangements, and related documents of AIA Services Corporation and AIA Insurance, Inc

RESPONSE TO REQUEST FOR PRODUCTION NO. 8: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, Defendants have already produced the October 27, 2006 Loan and Security Agreement, and there are no other responsive documents for the five years prior to commencement of this litigation.

REQUEST FOR PRODUCTION NO. 9: All corporate books and records of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 9: Defendants object to this Request for Production on the grounds that it is vague and ambiguous. Defendants further object on the grounds that this request is overbroad, unreasonable, burdensome and oppressive. Without waiving these objections, all bylaws and articles of incorporation and amendments thereto have been produced, and Defendants will produce the corporate minutes.

REQUEST FOR PRODUCTION NO. 10: All e-mails sent, carbon-copied or received by R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers, directors, and managers of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 10: Defendants object to this Request for Production of Documents to the extent it seeks production of documents protected

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from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production is overbroad, unreasonable, burdensome and oppressive. There exist millions of emails (11.3 Gig of information).

REQUEST FOR PRODUCTION NO. 11: All documents pertaining to the compensation, benefits, and expenses paid for R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers and directors of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 11: Defendants object to this Request for Production of Documents to the extent it seeks the production of documents which are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production is overbroad, unreasonably burdensome, and oppressive. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce non-privileged responsive documents related to compensation and benefits for the five years prior to filing of the Complaint.

REQUEST FOR PRODUCTION NO. 12: All documents pertaining to all redemptions and transactions involving the Series C Preferred Shares of AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 12: Defendants object to this Request for Production of Documents to the extent it seeks production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege or the Accountant-Client Privilege. Defendants further object on the grounds that the documents are not relevant

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and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have produced responsive documents to Plaintiff prior to filing the lawsuit.

REQUEST FOR PRODUCTION NO. 13: All documents pertaining to all funds, services, or assets advanced or owed at any time by R. John Taylor to AIA Services Corporation or AIA Insurance, Inc., including all documents pertaining to any prepayment of such obligations.

RESPONSE TO REQUEST FOR PRODUCTION NO. 13: Defendants object to this request on the grounds that it is vague and ambiguous. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have previously produced the general ledger detail for John Taylor.

REQUEST FOR PRODUCTION NO. 14: All documents pertaining to assets, securities, equipment, credit arrangements, labor, services, or cash of AIA Insurance, Inc. or AIA Services Corporation which have been transferred assigned, lent, or advanced to R. John Taylor

RESPONSE TO REQUEST FOR PRODUCTION NO. 14: Defendants object to this request on the grounds that it is vague and ambiguous. Defendants further object to this request on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, refer to responses to Requests for Production Nos. 11 and 13.

REQUEST FOR PRODUCTION NO. 15: All documents pertaining to all assets, securities, office space, equipment, credit arrangements, labor, services, or cash of AIA

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Insurance, Inc. or AIA Services Corporation which have been utilized, provided, transferred, assigned, lent, or advanced to Crop USA Insurance Agency, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 15: Defendants object to this request on the grounds that it is vague and ambiguous. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants refer Plaintiff to Exhibits A and B hereto.

REQUEST FOR PRODUCTION NO. 16: Any and all documents pertaining to indemnification of any of the Defendants in this action or payment of their legal fees and expenses by AIA Insurance or AIA Services Corporation, together with all Notices of Meetings of Shareholders or the Board of Directors of AIA Services Corporation of AIA Insurance, Inc. to address such issues.

RESPONSE TO REQUEST FOR PRODUCTION NO. 16: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants refer Plaintiff to the Bylaws of said corporations, which have already been produced and which govern the indemnification of Directors, and a special shareholders' meeting of Services,

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authorized the corporation to pay the legal fees. The shareholder minutes are attached as Exhibit C.

REQUEST FOR PRODUCTION NO. 17: All documents pertaining to all trust agreements, agreements, or contracts between AIA Insurance, Inc. or AIA Services Corporation and any party, entity, or association in which AIA Insurance, Inc., or AIA Services Corporation conducts business with or on behalf of, including without limitation, all trust agreements, all agreements with any associations, all agreements with any grower associations, all agreements with co-ops, insurance companies, and all agreement with Crop USA Insurance Agency, Inc. (including copies of all Bylaws of the foregoing).

RESPONSE TO REQUEST FOR PRODUCTION NO. 17: Defendants object to this Request for Production of Documents on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants, without waiving the foregoing objection and the General Objection and specifically reserving the same, have produced the trust agreements and the agreements with CropUSA for the five year period prior to commencement of this litigation.

REQUEST FOR PRODUCTION NO. 18: All documents pertaining to all agreements, contracts, and the like between AIA Insurance, Inc., AIA Services Corporation, or Crop USA Insurance Agency, Inc. and R. John Taylor.

RESPONSE TO REQUEST FOR PRODUCTION NO. 18: Defendants object to this Request for Production of Documents to the extent it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not

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reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, the Agreements between R. John Taylor and the Companies have been previously produced to Plaintiff.

REQUEST FOR PRODUCTION NO. 19: All agreements, fee arrangements, contracts, and related documents involving AIA Insurance, Inc. or AIA Services Corporation pertaining to the litigation known as *In re: Universe Liquidator Grain Growers Trust, et al. v. Idaho Department of Insurance* (a/k/a GGMIT lawsuit), and the status of such litigation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 19: Defendants object to Request for Production No. 19 on the grounds that it is vague and ambiguous. Defendants further object to this request to the extent that it seeks the production of documents protected from the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that their request seeks documents that are not relevant or reasonably calculated to lead to the discovery of admissible evidence.

REQUEST FOR PRODUCTION NO. 20: All documents pertaining to the status of the GGMIT lawsuit.

RESPONSE TO REQUEST FOR PRODUCTION NO. 20: Defendants object to this request on the grounds that it is vague and ambiguous. Defendants further object to this Request for Production of Documents to the extent it seeks the production of documents protected from the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Finally, this request seeks documents which are of

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public record. The Plaintiff may access District Court and Supreme Court records pertaining to the lawsuit as easily as the Defendant companies.

REQUEST FOR PRODUCTION NO. 21: All documents pertaining to all redemptions, agreements, contracts, and transactions involving the Series A Preferred Shares of AIA Services Corporation and the present balance owed to the holder of the Series A Preferred Shares of AIA Services

RESPONSE TO REQUEST FOR PRODUCTION NO. 21: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine or the Attorney-Client Privilege. Defendants further object on the grounds that the documents are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have produced previously documents responsive to the redemption of the Series A Preferred Stock to Plaintiff.

REQUEST FOR PRODUCTION NO. 22: All documents pertaining to the parking lot purchased by R. John Taylor which is or has been used by AIA Insurance, Inc. or AIA Services Corporation, together with all payments or advances relating to such parking lot.

RESPONSE TO REQUEST FOR PRODUCTION NO. 22: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence.

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Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants have previously produced documents responsive to payments, and will produce responsive documents relating to the acquisition of the parking lot by John R. Taylor.

REQUEST FOR PRODUCTION NO. 23: All documents pertaining to all minutes of all meetings involving all trust boards or membership associations.

RESPONSE TO REQUEST FOR PRODUCTION NO. 23: Defendants object to this Request for Production on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving these objections, Defendants will produce the minutes for the five year period prior to commencement of this litigation.

REQUEST FOR PRODUCTION NO. 24: All documents pertaining to AIA Insurance, Inc.'s purchase of Preferred C Shares of AIA Services Corporation and the present value of such alleged investment.

RESPONSE TO REQUEST FOR PRODUCTION NO. 24: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants previously have produced responsive documents relating to the purchase of Preferred C Shares of AIA Services Corporation

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REQUEST FOR PRODUCTION NO. 25: All documents pertaining to the transfer or conversion of Preferred C Shares of AIA Services Corporation to shares of Crop USA Insurance Agency, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 25: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege and the Accountant Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants previously produced responsive documents relating to the conversion of C Shares of AIA Services Corporation.

REQUEST FOR PRODUCTION NO. 26: All documents pertaining to all notices of shareholder meetings, notices of board meetings, shareholder resolutions, shareholder votes, shareholder meetings, board meetings, minutes of board or shareholder meetings, board resolutions, and any other corporate action involving AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 26: Defendants object to this Request for Production of Documents to the extent that it seeks production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object to this request on the grounds that it is vague and ambiguous. Without waiving the foregoing

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objection and the General Objection and specifically reserving the same, Defendants will produce notices of shareholder and board meetings and the minutes of board meetings and shareholder meetings within five (5) years of filing the complaint.

REQUEST FOR PRODUCTION NO. 27: All documents pertaining to any funds lent or advanced to any party or entity from the 401(k) Plan of AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 27: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object to this Request for Production on the grounds that it is unreasonable, burdensome and oppressive. Defendants further object to this Request for Production in that it is overbroad and seeks to invade the privacy of employees and members of the 401(k) Plan. Defendants further object to this Request for Production on the grounds that it is vague and ambiguous. Without waiving these objections, Defendants state that, other than documents related to money borrowed from an employees' own 401(k) account, there are no responsive documents.

REQUEST FOR PRODUCTION NO. 28: All documents pertaining to shareholder lists of AIA Services Corporation and AIA Insurance, Inc

RESPONSE TO REQUEST FOR PRODUCTION NO. 28: Defendants object to this Request for Production on the grounds that it seeks documents that are not relevant and not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the

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foregoing objection and the General Objection and specifically reserving the same, Defendants will produce shareholder lists within five (5) years prior to filing the complaint.

REQUEST FOR PRODUCTION NO. 29: Documents pertaining to the names and addresses of the officers and directors of AIA Services Corporation and AIA Insurance, Inc.

RESPONSE TO REQUEST FOR PRODUCTION NO. 29: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce the names of the officers and directors of the Defendants within five (5) years prior to filing the complaint.

REQUEST FOR PRODUCTION NO. 30: Documents identifying all persons who are members of any advisory boards or committees to the board of directors of AIA Services Corporation or AIA Insurance, Inc

RESPONSE TO REQUEST FOR PRODUCTION NO. 30: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants do not have responsive documents.

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REQUEST FOR PRODUCTION NO. 31: All documents pertaining to the spin off, transfer, or sale of the radio station owned at one time by AIA Services Corporation or AIA Insurance, Inc., known as KATW FM.

RESPONSE TO REQUEST FOR PRODUCTION NO. 31: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence.

REQUEST FOR PRODUCTION NO. 32: All documents pertaining to all vehicle purchases or leases involving AIA Insurance, Inc. or AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 32: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine and/or the Attorney-Client Privilege. Defendants further object on the grounds that the documents are sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object that this Request for Production of Documents is unreasonable, burdensome and oppressive. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce any non-privileged responsive documents within their possession, custody or control relating to leases or purchases of automobiles within five years of the date of the filing of the Complaint.

REQUEST FOR PRODUCTION NO. 33: All documents pertaining to the current financial statements and balance sheets of AIA Insurance, Inc. or AIA Services Corporation.

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RESPONSE TO REQUEST FOR PRODUCTION NO. 33: Defendants object to this Request for Production of Documents to the extent it seeks production of documents protected from disclosure by the Attorney-Client Privilege, the Work Product Doctrine, or the Accountant-Client Privilege (IRE 515). Defendants further object on the grounds that the documents sought are not relevant, are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object that this Request for Production of Documents is unreasonable, burdensome and oppressive. Finally, Defendants further object to this request for production of documents in that it is vague and ambiguous. Without waiving the foregoing objections and the General Objections, Defendants will produce the financial statement with Auditors Report for AIA Insurance 2006 and the consolidated balance sheet of AIA Services 2006 attached hereto as Exhibit D.

REQUEST FOR PRODUCTION NO. 34: All documents pertaining to the 2006 tax returns of AIA Insurance, Inc., or AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 34: Defendants object to this Request for Production of Documents to the extent that it seeks the production of documents protected from disclosure by the Work Product Doctrine, the Attorney-Client Privilege or the Accountant-Client Privilege. Defendants further object on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production is unreasonable, burdensome and oppressive. Without waiving these objections, the 2006 tax return has not yet been filed, but will be produced upon filing.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 21

40005 0006 929635 1

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1014

REQUEST FOR PRODUCTION NO. 35: Documents identifying the names, addresses, and positions of all employees and officers of AIA Insurance, Inc. and AIA Services Corporation.

RESPONSE TO REQUEST FOR PRODUCTION NO. 35: Defendants object to this Request for Production of Documents on the grounds that the documents sought are not relevant and are not reasonably calculated to lead to the discovery of admissible evidence. Defendants further object on the grounds that the Request for Production of Documents is vague and ambiguous as to the time period requested. Without waiving the foregoing objection and the General Objection and specifically reserving the same, Defendants will produce non-privileged documents relating to names and positions of employees for the year end of 2006 as Exhibit E hereto.

DATED THIS 14 day of June, 2007.

HAWLEY TROXELL ENNIS & HAWLEY LLP

By 

Gary D. Babbitt ISB No. 1486  
Attorneys for Defendants AIA Services  
Corporation, and AIA Insurance, Inc.

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 22

40005 0006 929635 1

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1015

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 14 day of June, 2007, I caused to be served a true copy of the foregoing DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS by the method indicated below, and addressed to each of the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond PLLC  
508 Eighth Street  
Lewiston, ID 83501  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Paul R. Cressman, Jr.  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
[Attorney for Defendants Duclos and Freeman]

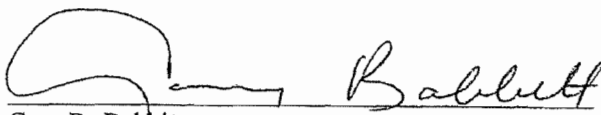
☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Michael E. McNichols  
Clements Brown & McNichols  
321 13th Street  
Lewiston, ID 83501  
[Attorneys for Defendant R. John Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, ID 83501  
[Attorneys for Defendant Connie Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

  
Gary D. Babbitt

DEFENDANTS AIA SERVICES CORPORATION AND AIA INSURANCE, INC.'S  
SUPPLEMENTAL RESPONSES TO PLAINTIFF'S FIRST REQUESTS FOR PRODUCTION  
OF DOCUMENTS TO DEFENDANTS AIA SERVICES CORPORATION, AIA  
INSURANCE, INC., R. JOHN TAYLOR, BRYAN FREEMAN, AND JOLEE DUCLOS - 23

40005 0006 929635 1

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1016

## **EXHIBIT F**

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1017

**Brett Hill**

---

**From:** Paul Cressman Jr.  
**Sent:** Tuesday, June 19, 2007 3:14 PM  
**To:** jash@hteh.com  
**Subject:** AIA Insurance Emails

John,

Thank you for your prompt response that AIA Insurance uses Microsoft Exchange Version 5.5 for its emails. You also advised that in your supplemental discovery requests your clients have withdrawn the statement that the emails are not searchable.

Paul

**Paul R. Cressman, Jr.**  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, Washington 98104  
Direct: (206) 389-8243  
Telephone: (206) 287-9900  
Facsimile: (206) 287-9902  
E-Mail: [pcressman@ac-lawyers.com](mailto:pcressman@ac-lawyers.com)

## **EXHIBIT G**

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1019

June 20, 2007

VIA E-MAIL (jash@hteh.com)  
AND U.S. MAIL

D. John Ashby, Esquire  
Hawley Troxell Ennis & Hawley LLP  
877 Main Street, Suite 1000  
Post Office Box 1617  
Boise, Idaho 83701-1617

Re: *Reed J. Taylor v. AIA Services Corp. et al.* – AIA Insurance E-Mails

Dear Mr. Ashby:

This letter is regarding Reed Taylor's Request for Production No. 10, contained in his First Request for Production of Documents to AIA Services Corporation and AIA Insurance, Inc. ("AIA"). AIA had previously stated in its response to RFP No. 10 that the requested e-mails were "not searchable." During our conversation yesterday, you stated that AIA was removing this objection, and that AIA's supplemental responses to RFP No. 10 no longer contained this statement. However, AIA's supplemental response to RFP No. 10 indicates that AIA continues to refuse to produce the requested e-mails based on various other objections, including relevance, overbroad, burdensome, and oppressive.

In the interest of resolving this issue without resorting to filing a Motion to Compel with the Court, Reed Taylor is willing to tailor his RFP No. 10 to request only information relevant to this lawsuit. Reed Taylor is willing to modify RFP No. 10 to add the following text, which is identified in italics:

REQUEST FOR PRODUCTION NO. 10: All e-mails sent, carbon-copied, or received by R. John Taylor, Bryan Freeman, JoLee Duclos, and all other officers, directors, and managers of AIA Services Corporation, and AIA Insurance, Inc., *regarding, or relating to in any way, the following topics, or will lead to the discovery of relevant evidence concerning such topics:*

- (1) *Promissory Note; (Plaintiff's Ex. A, March 1, 2007, Preliminary Injunction Hearing ("Hearing"))*
- (2) *Stock Redemption Restructure Agreement; (Exhibit B, Hearing)*
- (3) *Amended and Restated Stock Pledge Agreement; (Exhibit C, Hearing)*

D. John Ashby, Esquire  
June 20, 2007  
Page 2

- (4) *Amended and Restated Security Agreement; (Exhibit E, Hearing)*
- (5) *Reed J. Taylor;*
- (6) *The causes of action alleged by Reed Taylor in the latest Proposed Fourth Amended Complaint; or*
- (7) *AIA's defenses to Reed Taylor's allegations contained in the Fourth Amended Complaint.*

Although Reed Taylor's position is that he is not required by the Idaho Civil Rules or the analogous Federal Rules to specify the subjects of e-mails requested, Reed Taylor is nonetheless willing to narrowly tailor his request given AIA's over-breadth objections to RFP No. 10, and in order to avoid the expense of filing a Motion to Compel with the Court. It will be less expensive and less burdensome for AIA to produce the e-mails in their entirety without having to search through the e-mails and pull only those described above. Nonetheless, Reed Taylor is willing to limit his request, as stated above, in order to address AIA's objections.

In addition, Reed Taylor renews his offer made during the CR 26 discovery conference that the parties enter into a "Claw-Back Agreement" whereby any privileged documents inadvertently produced by AIA in the e-mail production would be required to be returned to AIA by Reed Taylor and that their disclosure would not be a waiver of any privilege. Such an agreement would reduce the searching costs to AIA performing a full-privilege review in advance of production to Reed Taylor.

Please respond no later than Monday, June 25, 2007, as to whether AIA is willing to produce the e-mails based on the above-modified RFP No. 10 and/or whether AIA desires to enter into a cost-saving "Claw-Back Agreement."

Sincerely,

AHLERS & CRESSMAN PLLC

Paul R. Cressman, Jr.

PRC:ww

cc: Reed J. Taylor  
Roderick C. Bond, Esquire



## **EXHIBIT H**

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1022

# Interoffice memo

**To:** John Taylor  
**From:** Marcus McNabb  
**Date:** 12/15/04  
**Re:** Monthly Car Allowance

As a follow-up on a conversation between John Taylor and Marcus McNabb on December 14<sup>th</sup>, the following action items will need to be addressed before year-end:

- [REDACTED]
- AIA should be paying John for the lot rent. The lot is located northwest of the building. The monthly lot rental should be \$270.83 per month starting January of 2004. This charge will be posted to the AP- John Taylor Account (#200100). In January 2005 the monthly rent will be \$1,250.
- AIA will be charged an additional \$12,500 for rent for the lot located northwest of the building. This additional lot rental fee is a one time year-end adjustment because of the low 2004 monthly rental. The fee should be expensed to GL# 950055 (Corporate Rent) and the offset should be charged against AP- John Taylor account (GL #200100).
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Marcus McNabb  
Controller/VP FINANCE  
AIA Insurance, Inc.  
One Lewis Clark Plaza  
P.O. Box 538  
Lewiston, ID 83501-0538  
(208) 799-9159  
(208) 743-0973 fax

AIA0001019

## **EXHIBIT I**

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

1024

# Interoffice memo

**To:** John Taylor  
**From:** Marcus McNabb  
**Date:** 12/15/04  
**Re:** Monthly Car Allowance

As a follow-up on a conversation between John Taylor and Marcus McNabb on December 14<sup>th</sup>, the following action items will need to be addressed before year-end:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- AIA purchased John's old BMW effective January 2004. The amount of the purchase was calculated as follows:
  - 7 payments of \$750.00 each, for a total monthly payment of \$ 5,250.00
  - 1 balloon payment of \$36,200.49 (two checks cut) \$36,200.49
  - Total Cost: \$41,450.49
- An adjustment to the GL#220010 (John's Salary), Fixed Assets, and Interest Expense would need to be completed before year-end to true up the actual figures.
- We will reflect payments made to John on his behalf in the AP-John Taylor Account (#200100).
- We will reflect amounts John paid on AIA & CropUSA behalf in the AP-John Taylor Account (#200100).

Marcus McNabb  
Controller/VP FINANCE  
AIA Insurance, Inc.  
One Lewis Clark Plaza  
P.O. Box 538  
Lewiston, ID 83501-0538  
(208) 799-9159  
(208) 743-0973 fax

AIA0001031

2020 BROADVIEW DR  
LEWISTON ID 83501

DETACH HERE

A008251239 DVS01182

835

[illegible]

**\$2.00 Fee**

NOTICE OF RELEASE OF LIABILITY

**\$2.00 Fee**

NOTICE — ALL INFORMATION MUST BE COMPLETE — NOTIFICATION BY SELLER/TRANSFEROR IS MANDATORY				
Vehicle Identification Number (VIN)	Year	Make	Body Style	Title Number
1J8321VDM02176	1997	BMW	4D	A98674817

Transferor's Full Name: \_\_\_\_\_ Phone Number: \_\_\_\_\_  
 \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_  
 Selling Price: \$ \_\_\_\_\_ Date Delivered to Purchaser/Transferee: \_\_\_\_\_  
 Transferee's Full Name: \_\_\_\_\_  
 \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

by request that the Idaho Transportation Department mark its records to indicate that the vehicle no longer has been issued. However, we understand that the title record will remain in effect until a new Idaho Certificate of Title is applied for and issued (recording the name(s) of the new owner(s)).

— SEE REVERSE SIDE FOR MAILING/PAYMENT INSTRUCTIONS —

AIA0001032

03-11-20

1026

AFFIDVIT OF PAUL R. CRESSMAN, JR. IN SUPPORT OF  
MOTION TO COMPEL PRODUCTION OF DOCUMENTS

# Journal Edit List

## Journal Description:

GJ556

GJ556 -BDO 2004 Audit Adjust BMW by \$13k

Journal

56

Trans Type:

Standard

Entry Date:

12/31/2004

Apply Date:

2/27/2006

Status:

Validated

Regeneration: None

Document	Date	Description	Account Number	Debit	Credit
GJ GJ556	12/31/200	GJ556 -BDO 2004 Audit Adjust 4 BMW by \$13k Fixed Assets -Vehicles-Main-General	1630-00-0	\$0.00	\$13,000.00
GJ GJ556	12/31/200	GJ556 -BDO 2004 Audit Adjust 4 BMW by \$13k Miscellaneous Expense-Lewiston Office-General	9500-91-0	\$13,000.00	\$0.00
<i>Journal Totals:</i>				\$13,000.00	\$13,000.00

## Journal Exceptions :

GJ	GJ556	2/31/2004	GJ556 -BDO 2004 Audit Adjust BMW by \$	\$0.00	\$13,000.00
1630-00-0			<i>Exception:</i> Warning - Transaction Outside of Current Period		
GJ	GJ556	2/31/2004	GJ556 -BDO 2004 Audit Adjust BMW by \$	\$13,000.00	\$0.00
9500-91-0			<i>Exception:</i> Warning - Transaction Outside of Current Period		

## Account totals:

Account Number	Account Name	Debit	Credit
1630-00-0	Fixed Assets -Vehicles-Main-General	\$0.00	\$13,000.00
9500-91-0	Miscellaneous Expense-Lewiston Office-General	\$13,000.00	\$0.00
		\$13,000.00	\$13,000.00

2004  
Entry

Michael E. McNichols  
CLEMENTS, BROWN & McNICHOLS, P.A.  
Attorneys at Law  
321 13th Street  
Post Office Box 1510  
Lewiston, Idaho 83501  
(208) 743-6538  
(208) 746-0753 (Facsimile)  
ISB No. 993

FILED  
2007 JUL 6 AM 10 16  
PATTY D. WEEKS  
CLERK OF THE DIST. COURT  
DEPUTY  
*Patty Rogers*

Attorneys for Defendant R. John Taylor

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE  
STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person;

Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person;

Defendants.

Case No: CV 07-00208

MEMORANDUM IN  
OPPOSITION TO  
MOTION TO DISSOLVE  
PRELIMINARY INJUNCTION

Defendant R. John Taylor submits this MEMORANDUM IN OPPOSITION TO MOTION TO DISSOLVE PRELIMINARY INJUNCTION and requests the Court to deny plaintiff's motion for the reason that an application for a preliminary injunction bond in the sum of \$200,000.00 has been submitted and conditionally accepted by Hartford Bond, a unit of The Hartford Insurance Company subject to a personal indemnity from John Taylor and a credit check on John Taylor. (Please see attached e-mail from bond agent).

John Taylor is on vacation but is expected to be in the office for at least one day next week and will submit the required information to Hartford Bond.

Plaintiff's motion to dissolve the preliminary injunction should be denied because the defendants are in the process of obtaining the required bond and it appears that the bond will be issued in the near future.

Respectfully submitted this 5<sup>th</sup> day of July, 2007,

CLEMENTS, BROWN & McNICHOLS, P.A.

By:   
MICHAEL E. McNICHOLS



CERTIFICATE OF SERVICE

I hereby certify that on the 5<sup>th</sup> day of July, 2007, I caused to be served a true and correct copy of the foregoing by the method indicated below, and addressed to the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond, PLLC  
508 Eighth Street  
Lewiston, ID 83501  
Facsimile: 746-8421

David A. Gittins  
Attorney at Law  
P.O. Box 191  
Clarkston, WA 99403  
Facsimile: 758-3576

Paul R. Cressman, Jr.  
Ahlers & Cressman, PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
Facsimile: (206) 287-9902

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, ID 83501  
Facsimile: 746-9160

Gary D. Babbitt  
D. John Ashby  
Hawley Troxell Ennis & Hawley, LLP  
P.O. Box 1617  
Boise, ID 83701-1617  
Facsimile: (208) 342-3829

☒ U.S. MAIL  
☐ HAND DELIVERED  
☐ OVERNIGHT MAIL  
☒ TELECOPY (FAX)

  
\_\_\_\_\_  
Michael E. McNichols

**John Ashby**

---

**From:** Misty Adams (Sound) [MAdams@soundinsurancesystems.com]  
**Sent:** Thursday, July 05, 2007 10:29 AM  
**To:** John Ashby  
**Subject:** bond

---

**From:**  
**Sent:** None  
**Subject:**

Misty

I have reviewed the financial statements and the courts papers on this risk and we are willing to approve the \$200,000 court bond for AIA Insurance Inc subject to the following proposal conditions

- Personal indemnity of R John Taylor supported by a strong personal credit history, in addition to the corporate indemnity already given. The attached authorization form must be completed. The personal credit must reflect a long and strong credit history, no derogatory public information, no past due items, and a satisfactory debt to outstanding credit ratio. We do not base our decision solely on a score.
- Should Mr Taylor qualify, he will need to sign the application as a Third Party Indemnitor.
- The annual premium is \$4,000. We ask that premium be collected at time of delivery of bond as this is a non cancellable bond.

The consent form may be returned by fax. If you have any questions please let me know.

---

**Beverly K. Bohnert**  
Senior Underwriter

P O Box 958461  
Lake Mary, FL 32746  
Phone: 888-656-0817  
Fax: 877-257-2166  
[BUENorth@thehartford.com](mailto:BUENorth@thehartford.com)

**Hartford Bond**

A unit of The Hartford

Check out our on-line bond kit – MailScanner has detected a possible fraud attempt from "..." claiming to be [www.1sourcebondkit.com](http://www.1sourcebondkit.com)



---

**From:** Misty Adams (Sound) [mailto:MAdams@soundinsurancesystems.com]  
**Sent:** Tuesday, July 03, 2007 1:55 PM  
**To:** Bohnert, Beverly (Bond, BOND CENTER)  
**Subject:** FW: Cashier's Check - PDF, does this work for you?

EXHIBIT 1

MEMORANDUM IN OPPOSITION TO MOTION TO  
DISSOLVE PRELIMINARY INJUNCTION

1031

---

**From:** Stephanie McFarland  
**Sent:** Monday, July 02, 2007 12:50 PM  
**To:** Misty Adams (Sound)  
**Subject:** Cashier's Check - PDF, does this work for you?

<<cashiers check 02262007001 pdf>>

Stephanie McFarland

Executive Assistant

CropUSA

P.O. Box 538

Lewiston, ID 83501

(208) 799-9031

(208) 746-8159 fax

\*\*\*\*\*  
This communication, including attachments, is  
for the exclusive use of addressee and may contain proprietary,  
confidential and/or privileged information. If you are not the intended  
recipient, any use, copying, disclosure, dissemination or distribution is  
strictly prohibited. If you are not the intended recipient, please notify  
the sender immediately by return e-mail, delete this communication and  
destroy all copies.  
\*\*\*\*\*

ORIGINAL

Gary D. Babbitt ISB No. 1486  
D. John Ashby ISB No. 7228  
HAWLEY TROXELL ENNIS & HAWLEY LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, ID 83701-1617  
Telephone: (208) 344-6000  
Facsimile: (208) 342-3829  
Email: gdb@hteh.com  
jash@hteh.com

Attorneys for Defendants AIA Services Corporation  
and AIA Insurance, Inc.

FILED

2007 JUL 9 AM 11 53

PATTY O. WEEKS  
CLERK OF THE DIST. COURT

DEPUTY

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,  
Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person,  
Defendants.

Case No. CV-07-00208

OPPOSITION TO MOTION TO  
DISSOLVE PRELIMINARY  
INJUNCTION

Defendants AIA Services Corporation and AIA Insurance, Inc. (collectively, "AIA"), by  
and through their counsel of record, Hawley Troxell Ennis & Hawley LLP, submit this  
Memorandum in Opposition to Plaintiff's Motion to Dissolve Preliminary Injunction.

As demonstrated by the email attached hereto as Exhibit 1, Hartford Bond, a unit of The Hartford Insurance Company, has agreed to approve the \$200,000 preliminary injunction bond, subject to personal indemnity from John Taylor and a credit check on John Taylor.

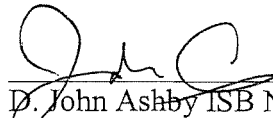
John Taylor is on vacation during the Fourth of July week, but will submit the required information upon his return.

The Motion to Dissolve Preliminary Injunction should be denied because AIA is in the process of obtaining the bond.

DATED THIS 5<sup>th</sup> day of July, 2007.

HAWLEY TROXELL ENNIS & HAWLEY LLP

By



D. John Ashby ISB No. 7228  
Attorneys for Defendants AIA Services  
Corporation and AIA Insurance, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 5<sup>th</sup> day of July, 2007, I caused to be served a true copy of the foregoing OPPOSITION TO MOTION TO DISSOLVE PRELIMINARY INJUNCTION by the method indicated below, and addressed to each of the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond PLLC  
508 Eighth Street  
Lewiston, ID 83501  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Paul R. Cressman, Jr.  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
[Attorney for Defendants Duclos and Freeman]

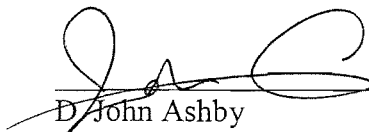
☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Michael E. McNichols  
Clements Brown & McNichols  
321 13th Street  
Lewiston, ID 83501  
[Attorneys for Defendant R. John Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, ID 83501  
[Attorneys for Defendant Connie Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

  
D. John Ashby

**John Ashby**

---

**From:** Misty Adams (Sound) [MAdams@soundinsurancesystems.com]  
**Sent:** Thursday, July 05, 2007 10:29 AM  
**To:** John Ashby  
**Subject:** bond

---

**From:**  
**Sent:** None  
**Subject:**

Misty

I have reviewed the financial statements and the courts papers on this risk and we are willing to approve the \$200,000 court bond for AIA Insurance Inc subject to the following proposal conditions

- Personal indemnity of R. John Taylor supported by a strong personal credit history, in addition to the corporate indemnity already given. The attached authorization form must be completed. The personal credit must reflect a long and strong credit history, no derogatory public information, no past due items, and a satisfactory debt to outstanding credit ratio. We do not base our decision solely on a score.
- Should Mr. Taylor qualify, he will need to sign the application as a Third Party Indemnitor.
- The annual premium is \$4,000. We ask that premium be collected at time of delivery of bond as this is a non cancellable bond.

The consent form may be returned by fax. If you have any questions please let me know.

---

**Beverly K. Bohnert**  
Senior Underwriter

P.O. Box 958461  
Lake Mary, FL 32746  
Phone: 888-656-0817  
Fax: 877-257-2166  
[BUENorth@thehartford.com](mailto:BUENorth@thehartford.com)

**Hartford Bond**

A unit of The Hartford

Check out our on-line bond kit – **MailScanner has detected a possible fraud attempt from "..."**  
**claiming to be [www.1sourcebondkit.com](http://www.1sourcebondkit.com)**



---

**From:** Misty Adams (Sound) [mailto:MAdams@soundinsurancesystems.com]  
**Sent:** Tuesday, July 03, 2007 1:55 PM  
**To:** Bohnert, Beverly (Bond, BOND CENTER)  
**Subject:** FW: Cashier's Check - PDF, does this work for you?

OPPOSITION TO MOTION TO DISSOLVE PRELIMINARY INJUNCTION

EXHIBIT

1036

7/5/2007

---

**From:** Stephanie McFarland  
**Sent:** Monday, July 02, 2007 12:50 PM  
**To:** Misty Adams (Sound)  
**Subject:** Cashier's Check - PDF, does this work for you?

<<cashiers check 02262007001.pdf>>

Stephanie McFarland

Executive Assistant

CropUSA

P.O. Box 538

Lewiston, ID 83501

(208) 799-9031

(208) 746-8159 fax

\*\*\*\*\*

This communication, including attachments, is  
for the exclusive use of addressee and may contain proprietary,  
confidential and/or privileged information. If you are not the intended  
recipient, any use, copying, disclosure, dissemination or distribution is  
strictly prohibited. If you are not the intended recipient, please notify  
the sender immediately by return e-mail, delete this communication and  
destroy all copies.

\*\*\*\*\*



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CUC

FILED

2007 JUL 10 PM 4 05

PATTY C. WEEKS  
CLERK OF THE DIST. COURT

*Anthony Rogers*  
DEPUTY

Roderick C. Bond  
Ned A. Cannon, ISBA #2331  
SMITH, CANNON & BOND PLLC  
Attorneys for Plaintiff  
508 Eighth Street  
Lewiston, Idaho 83501  
Telephone: (208) 743-9428  
Fax: (208) 746-8421

Paul R. Cressman, Jr., ISBA #7563  
AHLERS & CRESSMAN PLLC  
Attorneys for Plaintiff  
999 Third Avenue, Suite 3100  
Seattle, Washington 98104-4088  
Telephone: (206) 287-9900  
Fax: (206) 287-9902

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE  
STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,  
  
Plaintiff,

v.

AIA SERVICES CORPORATION, an  
Idaho corporation; AIA INSURANCE, INC.,  
an Idaho corporation; R. JOHN TAYLOR  
and CONNIE TAYLOR, individually and  
the community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person,  
  
Defendants.

Case No.: CV-07-00208

PLAINTIFF REED J. TAYLOR'S  
REPLY IN SUPPORT OF MOTION  
TO DISSOLVE PRELIMINARY  
INJUNCTION

Plaintiff Reed J. Taylor ("Reed Taylor") submits this Reply in Support of his Motion to  
Dissolve Preliminary Injunction and in Opposition to the Responses of AIA Services, AIA  
Insurance and R. John Taylor:

PLAINTIFF'S REPLY IN SUPPORT OF MOTION  
TO DISSOLVE PRELIMINARY INJUNCTION - 1

1038  
ORIGINAL

## **I. INTRODUCTION**

In Response to Reed Taylor's Motion to Dissolve Preliminary Injunction, the Defendants submit copies of email indicating that they may be able to obtain the required \$200,000 subject to such conditions as the approval of John Taylor's credit and his debt to outstanding credit ratio. However, under Idaho law, the security must be posted prior to the issuance of an injunction and arguments of a possible approval to obtain the required bond fail as a matter of law. The Preliminary Injunction against Reed Taylor must be dissolved.

## **II. LEGAL AUTHORITY AND ARGUMENT**

### **A. The Defendants Failed to Post the Required \$200,000 Bond.**

The requirement for the posting of security for a preliminary injunction is mandatory prior to the issuance of a preliminary injunction. *Valley View Farms v. Westover*, 96 Idaho 615, 615, 533 P.2d 736 (1974); *Hutchins v. Trombley*, 95 Idaho 360, 365, 509 P.2d 579 (1973).

On May 31, 2007, the Court ordered the Defendants to post a bond in the amount of \$200,000 as security for the preliminary injunction issued against Reed Taylor. After nearly 1½ months, the Defendants failed to post the required bond or cash equivalent. Reed Taylor has been wrongfully enjoined since May 31, 2007.

The Preliminary Injunction issued against Reed Taylor must be dissolved.

### **B. Evidence Pertaining to the Possibility of Obtaining the \$200,000 Bond Is Irrelevant.**

Defendants AIA Services, AIA Insurance and John Taylor argue without citing any legal authority that their evidence pertaining to the possibility of obtaining the \$200,000 bond is sufficient to prevent the injunction from being dissolved. Their sole argument is based upon a single email, which is nothing more than a possible approval of an application to obtain a bond.

The email purportedly sent by a representative of Hartford Bond states as follows:

I have reviewed the financial statements and the courts papers on this risk and we are willing to approve the \$200,000 court bond for AIA Insurance Inc. subject to the following proposal conditions:

- Personal indemnity of R. John Taylor supported by a strong personal credit history, in addition to the corporate indemnity already given. The attached authorization form must be completed. The personal credit must reflect a long and strong credit history, no derogatory public information, no past due items, and a satisfactory debt to outstanding credit ratio. We do not base our decision solely on a score.
- Should Mr. Taylor qualify, he will need to sign the application as a Third Party Indemnitor.
- The annual premium is \$4,000. We ask that premium be collected at time of delivery of bond as this is a non cancellable bond.

See Defendants AIA Services and AIA Insurance's Response, Ex. 1; Defendant R. John Taylor's Response, Ex. 1.

The above email is nothing more than a writing indicating that a bond may be issued upon certain conditions being met. The email is no evidence of a bond and provides no security and no legal recourse for Reed Taylor. Significantly, the Defendants' argument fails as a matter of law because possible approval of a bond application or the belated issuance of a bond is no substitute for the issuance of a bond as required by I.R.C.P. 65.<sup>1</sup>

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<sup>1</sup> It is noteworthy that Hartford Bond is requiring the personal indemnity by John Taylor for the \$200,000 bond (assuming he qualifies). In addition, the requirement that John Taylor guaranty the \$200,000 bond further evidences the poor financial condition of AIA Insurance and AIA Services and further evidences the decimation of AIA Insurance and AIA Services under the management of the Defendants. It is also noteworthy to view the email indicating that an employee of the Crop USA was attempting to obtain the bond.

**C. Even if the Defendants Are Able to Belatedly Obtain the \$200,000 Bond, Reed Taylor Should Be Awarded His Attorneys' Fees and Costs Incurred in Bringing His Motion Because He Was Wrongfully Restrained Prior to the Issuance of the Bond.**

Assuming that the Defendants belatedly obtain the \$200,000 bond prior to the hearing and the Court rules the injunction remains valid, Reed Taylor should be awarded his attorneys' fees and costs. Because the posting of security is required before the validity of a preliminary injunction, Reed Taylor was at the very least wrongfully restrained from May 31, 2007, until the date the bond was posted. Reed Taylor should be awarded his attorneys' fees and costs incurred bringing this Motion pursuant to I.R.C.P. 65(c) from the \$10,000 cash bond presently held by the Court.

**III. CONCLUSION**

The Preliminary Injunction against Reed Taylor should be dissolved and he should be awarded his attorneys' fees and costs. In the alternative, should the Defendants manage to post the required \$200,000 bond prior to the hearing date, Reed Taylor should be awarded his attorneys' fees and costs incurred in bringing this Motion as he was wrongfully enjoined since May 31, 2007.

DATED: This 10<sup>th</sup> day of July 2007.

SMITH, CANNON & BOND PLLC  
AHLERS & CRESSMAN PLLC

By: \_\_\_\_\_

Roderick C. Bond  
Ned A. Cannon  
Paul R. Cressman, Jr.  
Attorneys for Plaintiff Reed J. Taylor

**CERTIFICATE OF SERVICE**

I, Roderick C. Bond, declare that, on the date indicated below, I served a true and correct copy of Plaintiff's Response in Support of Motion to Dissolve Preliminary Injunction against Reed Taylor on the following party(s) via the method(s) indicated below:

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
Attorney for Defendants Duclos and Freeman

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Michael E. McNichols  
Clements Brown & McNichols  
321 - 13<sup>th</sup> Street  
Lewiston, Idaho 83501  
Attorneys for Defendant R. John Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Jonathan D. Halley  
Clark & Feeney  
P.O. Box 285  
Lewiston, Idaho 83501  
Attorney for Defendant Connie Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Gary D. Babbitt  
D. John Ashby  
Hawley Troxell Ennis & Hawley LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, Idaho 83701-1617  
Attorneys for AIA Services and ALA Insurance

**Via:**  
☒ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☒ Facsimile - (208) 342-3829

Signed this 10<sup>th</sup> day of July, 2007, at Lewiston, Idaho.

\_\_\_\_\_  
Roderick C. Bond

*CAC*

FILED

2007 JUL 13 PM 12 26

PAUL R. CRESSMAN, JR.  
CLERK OF THE DIST. COURT

*[Signature]*

RODERICK C. BOND  
NED A. CANNON, ISB #2331  
SMITH, CANNON & BOND PLLC  
Attorneys for Plaintiff  
508 Eighth Street  
Lewiston, Idaho 83501  
Telephone: (208) 743-9428  
Fax: (208) 746-8421

PAUL R. CRESSMAN, JR., ISB #7563  
AHLERS & CRESSMAN PLLC  
Attorneys for Plaintiff  
999 Third Avenue, Suite 3100  
Seattle, Washington 98104-4088  
Telephone: (206) 287-9900  
Fax: (206) 287-9902

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE STATE OF  
IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

v.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person;

Defendants.

Case No.: CV-07-00208

REED TAYLOR'S OBJECTION TO  
COURT-ORDERED MEDIATION  
OF DISCOVERY DISPUTES

REED TAYLOR'S OBJECTION TO  
COURT-ORDERED MEDIATION  
OF DISCOVERY DISPUTES – 1

72172.1 (#100021.1)

1043  
ORIGINAL

In light of the fact that Reed Taylor did not have an opportunity to respond to a Motion for Mediation of Discovery Disputes, or otherwise formally lodge his objection with the Court, he respectfully files this Objection.

It is not appropriate for the Court to order the parties to negotiate the discovery to which Reed Taylor is entitled pursuant to the Idaho Rules of Civil Procedure. It is further not appropriate for Reed Taylor to have to pay a mediator to assist the parties in negotiating discovery disputes. Prior to the Court-ordered mediation, counsel for Reed Taylor and the Corporate Defendants had extensively discussed their clients' differences as to the discovery to which Reed Taylor was entitled. Following this conference, counsel exchanged letters addressing their clients' respective positions. In addition, following the conference between counsel, the Corporate Defendants amended their Discovery Responses which had previously wrongfully stated that the e-mails maintained by such Corporate Defendants were not electronically searchable. Had any inquiry been made of IT personnel employed by the Corporate Defendants, it would have immediately been known that such Defendants' e-mails were electronically searchable. The Corporate Defendants still refuse to produce any of the e-mails sought by discovery, despite the fact that it is a simple matter for them to be produced electronically.

The discovery issues and the disputes between Reed Taylor and the Corporate Defendants are simple. The Corporate Defendants are maintaining their positions solely for purposes of delay and to obstruct the timely hearing of the issues in this case. This case requires

REED TAYLOR'S OBJECTION TO  
COURT-ORDERED MEDIATION  
OF DISCOVERY DISPUTES – 2

72172.1 (#100021.1)

an accelerated schedule in order that Reed Taylor's rights not be further eroded. Justice delayed will truly be justice denied in this case. What is required are prompt and swift decisions on the outstanding discovery disputes in order that the documents and information to which Reed Taylor and his counsel are entitled are provided to them, and this case might promptly proceed to trial before the Corporate Defendants' assets are depleted. It is important to understand that Reed Taylor is not responsible for the present situation. It is the Corporate Defendants and their officers and directors that are responsible. Reed Taylor is merely trying to protect a very significant debt which is owing to him.

Respectfully submitted this 12<sup>th</sup> day of July, 2007.

SMITH, CANNON & BOND PLLC  
AHLERS & CRESSMAN PLLC

By: \_\_\_\_\_  
Roderick C. Bond  
Ned A. Cannon  
Paul R. Cressman, Jr.  
Attorneys for Plaintiff



**CERTIFICATE OF SERVICE**

I, Wendy M. Wheat-McCoy, declare that, on the date indicated below, I served a true and correct copy of the Reed Taylor's Objection to Court-Ordered Mediation of Discovery Disputes on the following parties via the methods indicated below:

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, Washington 99403  
Fax: (509) 758-3576  
E-Mail: david@gittinslaw.com  
Attorney for Defendants Duclos and Freeman

**Via:**  
☒ **U.S. Mail, Postage Prepaid**  
☐ Hand Delivered  
☐ Overnight Mail  
☒ **Facsimile**  
☒ **Via E-Mail**

Michael E. McNichols  
Clements Brown & McNichols  
321 - 13<sup>th</sup> Street  
Lewiston, Idaho 83501  
Fax: (208) 746-0753  
E-Mail: mmcnicols@clbrmc.com  
Attorneys for Defendant R. John Taylor

**Via:**  
☒ **U.S. Mail, Postage Prepaid**  
☐ Hand Delivered  
☐ Overnight Mail  
☒ **Facsimile**  
☒ **Via E-Mail**

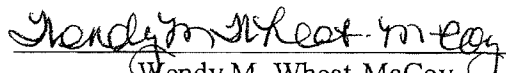
Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, Idaho 83501  
Fax: (208) 746-9160  
E-Mail: jhally@clarkandfeeney.com  
Attorney for Defendant Connie Taylor

**Via:**  
☒ **U.S. Mail, Postage Prepaid**  
☐ Hand Delivered  
☐ Overnight Mail  
☒ **Facsimile**  
☒ **Via E-Mail**

Gary D. Babbitt  
D. John Ashby  
Hawley Troxell Ennis & Hawley LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, Idaho 83701-1617  
Fax: (208) 342-3829  
E-Mails: gdb@hteh.com jash@hteh.com  
Attorneys for AIA Services and AIA Insurance

**Via:**  
☒ **U.S. Mail, Postage Prepaid**  
☐ Hand Delivered  
☐ Overnight Mail  
☒ **Facsimile**  
☒ **Via E-Mail**

Signed this 12<sup>th</sup> day of July, 2007, at Lewiston, Idaho.

  
Wendy M. Wheat-McCoy

FILED

2007 JUL 18 PM 2 49

PATTY J. WEEKS  
CLERK OF THE DIST. COURT

*Danny Rogers*

Gary D. Babbitt ISB No. 1486  
D. John Ashby ISB No. 7228  
HAWLEY TROXELL ENNIS & HAWLEY LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, ID 83701-1617  
Telephone: (208) 344-6000  
Facsimile: (208) 342-3829  
Email: gdb@hte h.com  
jash@hte h.com

Attorneys for Defendants AIA Services Corporation  
and AIA Insurance, Inc.

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
IOLEE DUCLOS, a single person,

Defendants.

Case No. CV-07-00208

NOTICE OF POSTING PRELIMINARY  
INJUNCTION BOND

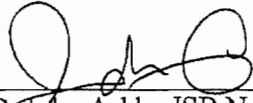
AIA Service Corporation and AIA Insurance Inc. (collectively "AIA") hereby give notice of posting the \$200,000 preliminary injunction bond. A copy of the preliminary injunction bond is attached hereto as Exhibit 1. Attached hereto as Exhibit 2 is a letter from the bond broker apologizing for and explaining the delay in issuance of the bond.

NOTICE OF POSTING PRELIMINARY INJUNCTION BOND - 1

1047

DATED THIS 18<sup>th</sup> day of July, 2007.

HAWLEY TROXELL ENNIS & HAWLEY LLP

By   
D. John Ashby ISB No. 7228  
Attorneys for Defendants AIA Services  
Corporation and AIA Insurance, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 18<sup>th</sup> day of July, 2007, I caused to be served a true copy of the foregoing NOTICE OF POSTING PRELIMINARY INJUNCTION BOND by the method indicated below, and addressed to each of the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond PLLC  
508 Eighth Street  
Lewiston, ID 83501  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Paul R. Cressman, Jr.  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
[Attorney for Defendants Duclos and Freeman]

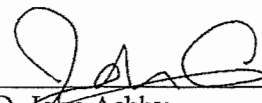
☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Michael E. McNichols  
Clements Brown & McNichols  
321 13th Street  
Lewiston, ID 83501  
[Attorneys for Defendant R. John Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Jonathan D. Hally  
Clark & Feeney  
P O. Box 285  
Lewiston, ID 83501  
[Attorneys for Defendant Connie Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

  
\_\_\_\_\_  
D. John Ashby

**PLAINTIFF'S INJUNCTION BOND TO DEFENDANT -  
Temporary Restraining Order**

**COPY**

Know all men by these presents that we AIA Insurance, Inc. as Principal and Hartford Fire Insurance Company a corporation organized under the laws of the State of Connecticut, and duly authorized to transact business in the State of Idaho as Surety, are held and firmly bound unto District Court of Nez Perce in the penal sum of Two Hundred Thousand Dollars (\$ 200,000 ), lawful money of the United States, to the payment of which well and truly to be made we hereby bind ourselves and our heirs, administrators, successors, and assigns, jointly and severally, firmly by these presents.

WHEREAS, the above named plaintiff has duly applied to this court for a preliminary restraining order and a temporary writ of injunction against the defendant in this action, according to the statute in such cases provided.

NOW, THEREFORE, the condition of this obligation is such that, if the said plaintiff shall pay the said defendant such damages as he sustains by reason of said preliminary restraining order or temporary injunction, if the Court finally decide that the said plaintiff is not entitled thereto (or to either or any of them, if more than one defendant), then this obligation shall be void, otherwise to remain in full force and effect.

In witness whereof, the Principal and Surety have hereunto set their hands and seals this 17th day of July, ~~199~~ 2007.

Attest:

Stephanie L. McFarland

Attest:

Joann Webb

AIA Insurance, Inc.

By:

John K. Duchs  
PRINCIPAL

Hartford Fire Insurance Company

By:

Willow Schwarz  
SURETY Attorney-in-Fact  
Willow Schwarz

# POWER OF ATTORNEY

Direct Inquiries/Claims to:

**THE HARTFORD**

BOND, T-4

P.O. BOX 2103, 690 ASYLUM AVENUE  
HARTFORD, CONNECTICUT 06115

call: 888-266-3488 or fax: 860-757-5835)

Agency Code: 57 121637

KNOW ALL PERSONS BY THESE PRESENTS THAT:

- ☒ Hartford Fire Insurance Company, a corporation duly organized under the laws of the State of Connecticut
- ☐ Hartford Casualty Insurance Company, a corporation duly organized under the laws of the State of Indiana
- ☐ Hartford Accident and Indemnity Company, a corporation duly organized under the laws of the State of Connecticut
- ☐ Hartford Underwriters Insurance Company, a corporation duly organized under the laws of the State of Connecticut
- ☐ Twin City Fire Insurance Company, a corporation duly organized under the laws of the State of Indiana
- ☐ Hartford Insurance Company of Illinois, a corporation duly organized under the laws of the State of Illinois
- ☐ Hartford Insurance Company of the Midwest, a corporation duly organized under the laws of the State of Indiana
- ☐ Hartford Insurance Company of the Southeast, a corporation duly organized under the laws of the State of Florida

having their home office in Hartford, Connecticut (hereinafter collectively referred to as the "Companies") do hereby make, constitute and appoint, up to the amount of UNLIMITED :

A. LEE JOHNSON, STEPHANIE C. FAGUNDES, KELLY FESLER, DIANE K. BOUCHER, JENNIFER ADAMS, ANNE PALACIOS, JOANN WEBB, WILLOW SCHWARZ, CANDICE MYERS OF GRASS VALLEY, CALIFORNIA

their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety(ies) only as delineated above by ☒, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof, on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, and as authorized by a Resolution of the Board of Directors of the Companies on January 22, 2004, the Companies have caused these presents to be signed by its Assistant Vice President and its corporate seals to be hereto affixed, duly attested by its Assistant Secretary. Further, pursuant to Resolution of the Board of Directors of the Companies, the Companies hereby unambiguously affirm that they are and will be bound by any mechanically applied signatures applied to this Power of Attorney.



*Paul A. Bergenholtz*

Paul A. Bergenholtz, Assistant Secretary

*M. Ross Fisher*

M. Ross Fisher, Assistant Vice President

STATE OF CONNECTICUT }  
COUNTY OF HARTFORD } ss. Hartford

On this 1st day of February, 2004, before me personally came M. Ross Fisher, to me known, who being by me duly sworn, did depose and say: that he resides in the County of Hartford, State of Connecticut; that he is the Assistant Vice President of the Companies, the corporations described in and which executed the above instrument; that he knows the seals of the said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed by authority of the Boards of Directors of said corporations and that he signed his name thereto by like authority.



CERTIFICATE

*Scott E. Paseka*  
Scott E. Paseka  
Notary Public  
My Commission Expires October 31, 2007

I, the undersigned, Assistant Vice President of the Companies, DO HEREBY CERTIFY that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force effective as of July 17, 2007.  
Signed and sealed at the City of Hartford.



*Gary W. Stumper*

Gary W. Stumper, Assistant Vice President

NOTICE OF POSTING PRELIMINARY INJUNCTION BOND

1051

State of California

County of Nevada } ss.

On this 17th day of July, 2007, before me, the undersigned Notary Public, in and for the State, personally appeared Wanda Schwarz a person known to me (or proved to me on the basis of satisfactory evidence), to be the person who executed the written instrument as Attorney-in-Fact on behalf of the corporation therein named and acknowledged to me that the corporation executed it.

Given under my hand and Notarial Seal this 17th day of July, A.D. 2007

Commission Expires

March 20, 2009

Notary Public

Kelly Fesler, Notary Public



Hartford Fire Insurance Company



**Date:** July 10, 2007

**Agency Code:** 57 121637

NETWORKED INSURANCE AGENTS  
988 MCCOURTNEY ROAD SUITE B

OBLIGEE:  
District Court of Nez Perce County, ID  
1225 Idaho St.  
Lewiston, ID 83501

GRASS VALLEY, CA 95949

**Attn: Bond Department**

**Insured / Principal:** AIA Insurance, Inc.  
**Policy / Bond #:** 57BSBEQ9699  
**Account Name/Number:**  
**Policy Term:** June 27, 2007 - June 27, 2008  
**Type of Policy:** Surety - Court, Judicial  
**Billing Term:** Annual  
**Billing Type:** Agency Bill  
**Transaction Type:** New Bond  
**Transaction Effective Date:** June 27, 2007

**Bond Limit :** \$200,000

**Agent's Advice of Premium for Fidelity and Surety Bonds**

Premium	Commission %	Commission Amount
\$ 4,000	%	\$

COMMENTS

Premium will be included in your usual Agency Accounting statement or Direct Bill notification.  
If you have any questions regarding this transaction, please contact your Hartford Bond Center.





Underwriting Managers / Insurance Program Design Lic.# OA96047  
988 McCourtney Rd , Grass Valley, CA 95949

Jul 17, 2007

The Honorable Jeff M. Brudie  
District Judge  
Lewiston, ID

Re: AIA Insurance  
Court Bond  
Hartford Insurance Company  
57BSBEQ9699  
6/27/2007 to 6/27/2008

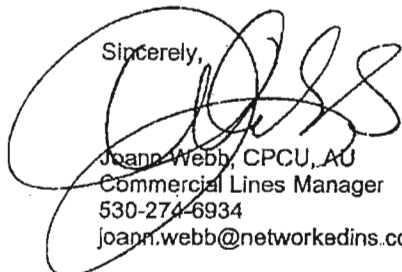
To Whom it May Concern

I am writing on behalf of our customer, AIA Insurance Agency. We are a wholesale insurance brokerage with whom they contracted to obtain the required bond. They provided to us the required application and court documents on 6/11/2007. Unfortunately, the issue was not handled properly on our end, which has resulted in unacceptable delays for both our client and your court.

In addition, when the original bond was issued and sent, we failed to attest the signature of the Surety. Hartford was kind enough to send another bond and provide a copy to AIA. The copy was delivered to your court, however the original, sent by USPS, has yet to be received. Since this bond was issued from their Florida office and not ours, the signatures are different. The corrected bond forms have been duly executed and delivered.

The oversights on this account should not be considered a reflection on AIA Insurance. The errors made were strictly Networked's. I apologize for the delays and the errors made.

Sincerely,



Joann Webb, CPCU, AU  
Commercial Lines Manager  
530-274-6934  
joann.webb@networkedins.com

Reference #:2694434

EXHIBIT 2

FILED

2007 JUL 24 PM 12 09

CLERK OF THE DIST. COURT

Gary D. Babbitt ISB No. 1486  
D. John Ashby ISB No. 7228  
HAWLEY TROXELL ENNIS & HAWLEY LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, ID 83701-1617  
Telephone: (208) 344-6000  
Facsimile: (208) 342-3829  
Email: gdb@hleh.com  
jash@hleh.com

Attorneys for Defendants AIA Services Corporation  
and AIA Insurance, Inc.

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT  
OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person,

Defendants.

Case No. CV-07-00208

AMENDED NOTICE OF POSTING  
PRELIMINARY INJUNCTION BOND

AIA Service Corporation and AIA Insurance Inc. (collectively "AIA") hereby gives  
notice of posting the \$200,000 preliminary injunction bond. A copy of the preliminary  
injunction bond is attached hereto as Exhibit 1, and the original is being filed with the Court.  
Although AIA maintains that the bond previously posted was valid and compliant with the

AMENDED NOTICE OF POSTING PRELIMINARY INJUNCTION BOND - 1

Court's preliminary injunction order, this amended bond was obtained out of an abundance of caution for purposes of curing the purported deficiencies in the prior bond identified by counsel for Reed J. Taylor.

DATED THIS 24th day of July, 2007.

HAWLEY TROXELL ENNIS & HAWLEY LLP

By [Signature]

D. John Ashby ISB No. 7228  
Attorneys for Defendants AIA Services  
Corporation and AIA Insurance, Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 13<sup>th</sup> day of July, 2007, I caused to be served a true copy of the foregoing AMENDED NOTICE OF POSTING PRELIMINARY INJUNCTION BOND by the method indicated below, and addressed to each of the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond PLLC  
508 Eighth Street  
Lewiston, ID 83501  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Paul R. Cressman, Jr.  
Ahlers & Cressman PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
[Attorneys for Plaintiff]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
[Attorney for Defendants Duclos and Freeman]


☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Michael E. McNichols  
Clements Brown & McNichols  
321 13th Street  
Lewiston, ID 83501  
[Attorneys for Defendant R. John Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, ID 83501  
[Attorneys for Defendant Connie Taylor]

☐ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☐ Telecopy  
☒ Email

  
\_\_\_\_\_  
D. John Ashby

## Defendants Injunction Bond to Plaintiff

Know all men by these presents that we R. John Taylor, AIA Services Corporation,  
and AIA Insurance, Inc. as Principal  
 and Hartford Fire Insurance Company a corporation organized under the laws of the State  
 of Connecticut, and duly authorized to transact business in the State  
 of Idaho as Surety, are held and firmly bound unto Reed J. Taylor  
 in the penal sum of Two Hundred Thousand Dollars (\$ 200,000 ), lawful money of  
 the United States, to the payment of which well and truly to be made we hereby bind  
 ourselves and our heirs, administrators, successors, and assigns, jointly and severally,  
 firmly by these presents.

WHEREAS, the above named defendants have duly applied to this court for a preliminary injunction against  
 the plaintiff in this action, according to the statute in such cases provided.

NOW, THEREFORE, the condition of this obligation is such that, if the said defendants shall  
 pay the said plaintiff such damages as he sustains by reason of said preliminary

injunction, if the court finally decide that the said defendants are not entitled thereto (or to either or any of them,  
 if more than one defendant), then this obligation shall be void, otherwise to remain in full force and effect.

In witness whereof, the Principal and Surety have hereunto set their hands and seals  
 this 20th day of July, 199 2007.

Attest: Jo Dee K. Duchs

Attest: Jo Dee K. Duchs

Attest: Jo Dee K. Duchs

Attest: [Signature]

By: [Signature]

R. John Taylor

By: [Signature]

AIA Services Corporation

By: [Signature]

AIA Insurance, Inc.

Hartford Fire Insurance Company

By: Willow Schwarz

SURETY Attorney-in-Fact

Willow Schwarz

Hartford Fire Insurance Company



**Date:** July 20, 2007

**Agency Code:** 57 121637

NETWORKED INSURANCE AGENTS  
988 MCCOURTNEY ROAD SUITE B

OBLIGEE:  
District Court of Nez Perce County, ID  
1225 Idaho St.  
Lewiston, ID 83501

GRASS VALLEY, CA 95949

**Attn: Bond Department**

**Insured / Principal:** R. John Taylor, AIA Services Corporation, and AIA Insurance, Inc.

**Policy / Bond #:** 57BSBEQ9699

**Account Name/Number:**

**Policy Term:** June 27, 2007 - June 27, 2008

**Type of Policy:** Surety - Court, Judicial

**Billing Term:** Annual

**Billing Type:** Agency Bill

**Transaction Type:** Policy change

**Transaction Effective Date:** June 27, 2007

**Bond Limit :** \$200,000

**Agent's Advice of Premium for Fidelity and Surety Bonds**

Premium	Commission %	Commission Amount
\$ 0	%	\$ 0

COMMENTS

Premium will be included in your usual Agency Accounting statement or Direct Bill notification.  
If you have any questions regarding this transaction, please contact your Hartford Bond Center.

AMENDED NOTICE OF POSTING PRELIMINARY INJUNCTION BOND

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Direct Inquiries/Claims to:

**THE HARTFORD**

BOND, T-4

P.O. BOX 2103, 690 ASYLUM AVENUE  
HARTFORD, CONNECTICUT 06115

call: 888-266-3488 or fax: 860-757-5835)

Agency Code: 57 121637

# POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS THAT:

- ☒ Hartford Fire Insurance Company, a corporation duly organized under the laws of the State of Connecticut  
☐ Hartford Casualty Insurance Company, a corporation duly organized under the laws of the State of Indiana  
☐ Hartford Accident and Indemnity Company, a corporation duly organized under the laws of the State of Connecticut  
☐ Hartford Underwriters Insurance Company, a corporation duly organized under the laws of the State of Connecticut  
☐ Twin City Fire Insurance Company, a corporation duly organized under the laws of the State of Indiana  
☐ Hartford Insurance Company of Illinois, a corporation duly organized under the laws of the State of Illinois  
☐ Hartford Insurance Company of the Midwest, a corporation duly organized under the laws of the State of Indiana  
☐ Hartford Insurance Company of the Southeast, a corporation duly organized under the laws of the State of Florida

having their home office in Hartford, Connecticut (hereinafter collectively referred to as the "Companies") do hereby make, constitute and appoint, **up to the amount of UNLIMITED** :

A. LEE JOHNSON, STEPHANIE C. FAGUNDES, KELLY FESLER, DIANE K. BOUCHER, JENNIFER ADAMS, ANNE PALACIOS, JOANN WEBB, WILLOW SCHWARZ, CANDICE MYERS OF GRASS VALLEY, CALIFORNIA

their true and lawful Attorney(s)-in-Fact, each in their separate capacity if more than one is named above, to sign its name as surety(ies) only as delineated above by ☒, and to execute, seal and acknowledge any and all bonds, undertakings, contracts and other written instruments in the nature thereof, on behalf of the Companies in their business of guaranteeing the fidelity of persons, guaranteeing the performance of contracts and executing or guaranteeing bonds and undertakings required or permitted in any actions or proceedings allowed by law.

In Witness Whereof, and as authorized by a Resolution of the Board of Directors of the Companies on January 22, 2004, the Companies have caused these presents to be signed by its Assistant Vice President and its corporate seals to be hereto affixed, duly attested by its Assistant Secretary. Further, pursuant to Resolution of the Board of Directors of the Companies, the Companies hereby unambiguously affirm that they are and will be bound by any mechanically applied signatures applied to this Power of Attorney.



*Paul A. Bergenholtz*

Paul A. Bergenholtz, Assistant Secretary

*M. Ross Fisher*

M. Ross Fisher, Assistant Vice President

STATE OF CONNECTICUT

COUNTY OF HARTFORD

ss.

Hartford

On this 1st day of February, 2004, before me personally came M. Ross Fisher, to me known, who being by me duly sworn, did depose and say: that he resides in the County of Hartford, State of Connecticut; that he is the Assistant Vice President of the Companies, the corporations described in and which executed the above instrument; that he knows the seals of the said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed by authority of the Boards of Directors of said corporations and that he signed his name thereto by like authority.



CERTIFICATE

*Scott E. Paseka*

Scott E. Paseka  
Notary Public

My Commission Expires October 31, 2007

I, the undersigned, Assistant Vice President of the Companies, DO HEREBY CERTIFY that the above and foregoing is a true and correct copy of the Power of Attorney executed by said Companies, which is still in full force effective as of July 20, 2007

Signed and sealed at the City of Hartford.



*Gary W. Stumper*

Gary W. Stumper, Assistant Vice President

State of California

County of LOS ANGELES

SS.

## CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

On JULY 20 2007, before me, LINDA S. SCHACHTER,  
Date Printed Name of Notary Public

personally appeared WINNIE SCHWARTZ,  
Printed Name(s) of Signer(s)

- ☒ personally known to me - or -  
☐ proved to me on the basis of satisfactory evidence:  
☐ form(s) of identification \_\_\_\_\_  
☐ credible witness(es) \_\_\_\_\_

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Linda S. Schachter  
Signature of Notary Public

(Seal)

### OPTIONAL INFORMATION

Although the information in this section is not required by law, it could prevent fraudulent removal and reattachment of this acknowledgment to an unauthorized document and may prove useful to persons relying on the attached document.

#### Description of Attached Document

The preceding Certificate of Acknowledgment is attached to a document  
titled/for the purpose of INJUNCTION

BOND  
containing 3 pages, and dated JULY 20, 07

The signer(s) capacity or authority is/are as:

- ☐ Individual(s)  
☒ Attorney-in-Fact  
☐ Corporate Officer(s) \_\_\_\_\_ Title(s) \_\_\_\_\_  
☐ Guardian/Conservator  
☐ Partner - Limited/General  
☐ Trustee(s)  
☐ Other: \_\_\_\_\_

representing: \_\_\_\_\_  
Name(s) of Person(s) or Entity(ies) Signer is Representing

- ☐ Additional Signer(s) ☐ Signer(s) Thumbprint(s)  
☐ Other

AMENDED NOTICE OF POSTING PRELIMINARY INJUNCTION BOND

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CLERK OF THE DIST. COURT

RODERICK C. BOND  
NED A. CANNON, ISB #2331  
Smith, Cannon & Bond PLLC  
Attorneys for Plaintiff  
508 Eighth Street  
Lewiston, ID 83501  
Telephone: (208) 743-9428  
Fax: (208) 746-8421

PAUL R. CRESSMAN, JR., ISB #7563  
Ahlers & Cressman PLLC  
Attorneys for Plaintiff  
999 Third Avenue, Suite 3100  
Seattle, Washington 98104-4088  
Telephone: (206) 287-9900  
Fax: (206) 287-9902

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE  
STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

v.

AIA SERVICES CORPORATION, an  
Idaho corporation; AIA INSURANCE,  
INC., an Idaho corporation; R. JOHN  
TAYLOR and CONNIE TAYLOR,  
individually and the community property  
comprised thereof; BRYAN FREEMAN,  
a single person; and JOLEE DUCLOS,  
a single person;

Defendants.

Case No.: CV-07-00208

REED TAYLOR'S REPLY TO  
COUNTERCLAIMS OF AIA SERVICES  
CORPORATION, AIA INSURANCE, INC.,  
AND R. JOHN. TAYLOR

REED TAYLOR'S REPLY TO COUNTERCLAIMS OF AIA SERVICES  
CORPORATION, AIA INSURANCE INC., AND R. JOHN. TAYLOR - 1

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ORIGINAL

### REPLY TO COUNTERCLAIMS

Plaintiff, Reed J. Taylor ("Reed Taylor"), replies to the counterclaims of Defendants AIA Services Corporation, AIA Insurance, Inc. and R. John Taylor (collectively, "Defendants") as follows:

1. With respect to the first paragraph in Defendants' First Counterclaim, Reed Taylor admits that he was the majority shareholder of AIA Services Corporation in 1995. Reed Taylor admits that AIA Services was, and still is, the sole shareholder of AIA Insurance, Inc. Reed Taylor admits the allegations in the second paragraph of Defendants' First Counterclaim. With respect to the fourth paragraph in Defendants' First Counterclaim, Reed Taylor admits that his attorneys provided demand letters to AIA Services Corporation and AIA Insurance threatening to take legal action when they defaulted on the original agreements. Reed Taylor denies all other allegations and inferences in Defendants' First Counterclaim.

2. Reed Taylor denies the allegations and inferences contained in Defendants' Second Counterclaim.

3. Reed Taylor denies the allegations and inferences contained in Defendants' Third Counterclaim.

4. Reed Taylor admits the allegations in the first paragraph of Defendants' Fourth Counterclaim to the extent that written agreements provide Plaintiff with an irrevocable power of attorney granted from AIA Services Corporation to vote the shares of AIA Insurance, Inc., but denies the remaining allegations contained in that paragraph. Reed Taylor admits the allegations in the first sentence of the second paragraph of Defendants' Fourth Counterclaim to the extent that AIA Services was in default and that he exercised his right to vote the shares of AIA Insurance, Inc., but denies all remaining

REED TAYLOR'S REPLY TO COUNTERCLAIMS OF AIA SERVICES  
CORPORATION, AIA INSURANCE INC., AND R. JOHN. TAYLOR - 2

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allegations in the second sentence of the second paragraph of Defendants' Fourth Counterclaim. Reed Taylor admits the allegations in the third paragraph of Defendants' Fourth Counterclaim and that he took appropriate action to remove the officers and directors of AIA Insurance, Inc. and appointed himself as the sole officer and director of AIA Insurance, Inc. All other allegations and inferences contained in Defendants' Fourth Counterclaim are denied.

5. Reed Taylor denies the allegations in Defendants' Fifth Counterclaim to the extent any of the alleged events occurred on Sunday, February 24, 2007. Reed Taylor admits that at some point in time he exercised his legal right to enter the offices of AIA Insurance, Inc. Reed Taylor admits that he had a locksmith and security personnel accompany him into the offices of AIA Insurance, Inc. Reed Taylor admits that his intent was to prevent access of AIA Insurance Inc.'s offices by certain management personnel and otherwise denies all other allegations and inferences contained in the Fifth Counterclaim.

6. Reed Taylor denies the allegations and inferences contained in Defendants' Sixth Counterclaim.

7. Reed Taylor denies that the Defendants are entitled to any of the requested relief or damages.

8. Reed Taylor denies any remaining allegations and inferences contained in Defendants' counterclaims and prayer for relief not expressly admitted.

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### AFFIRMATIVE DEFENSES

1. Defendants' Counterclaims are barred by the doctrine of unclean hands, in that Defendants' damages, if any, were caused by Defendants' own improper and wrongful actions and/or omissions.

2. Defendants' Counterclaims are barred by the doctrines of estoppel, waiver and laches.

3. Defendants' Counterclaims are barred by their own fraud and misrepresentation.

4. Defendants' Counterclaims are barred by their own material breaches of contract.

5. To the extent Defendants and Reed Taylor may have modified contractual agreements as alleged by Defendants, which Reed Taylor denies, Defendants' Counterclaims are barred by the doctrine of accord and satisfaction and/or account stated.

6. To the extent Defendants and Reed Taylor may have orally modified contractual agreements as alleged by Defendants, which Reed Taylor denies, Defendants' Counterclaims are barred by the statute of frauds.

7. To the extent Defendants have incurred any counterclaim damages, Defendants have failed to mitigate their damages, and therefore their counterclaims are barred.

8. To the extent Defendants have incurred any counterclaim damages, these damages are subject to offset.

9. Defendants' Counterclaims are barred by the statutes of limitations, specifically, I.C. § 5-216, I.C. § 5-217, I.C. § 5-224, and I.C. § 5-237.

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REED TAYLOR'S REPLY TO COUNTERCLAIMS OF AIA SERVICES  
CORPORATION, AIA INSURANCE INC., AND R. JOHN. TAYLOR - 4

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10. Defendants' Counterclaims are barred because they have failed to state a claim on which relief can be granted.

11. Defendants' Counterclaims are barred for failure to obtain the necessary consents, resolutions, and approvals from Defendants' authorized board, officers and shareholders.

12. Defendants' Counterclaims are barred by contract provisions.

13. Defendants' Counterclaims are barred by the failure of condition precedent(s).

14. Defendant R. John Taylor has failed to state a claim on which relief can be granted and/or lacks standing to assert counterclaims which may only be properly asserted by AIA Services Corporation and AIA Insurance, Inc.

15. Defendants AIA Services Corporation and AIA Insurance, Inc. have failed to state a claim on which relief can be granted and/or lack standing to assert counterclaims which may only be properly asserted by R. John Taylor.

16. Neither AIA Services Corporation, the present management of AIA Insurance, Inc., nor R. John Taylor have standing to bring any Counterclaims or allege any Affirmative Defenses against Reed Taylor on behalf of AIA Insurance, Inc. as Reed Taylor is the only authorized officer and director of AIA Insurance, Inc. and he is being wrongfully enjoined by the Defendants from conducting his duties as the sole duly appointed director and officer of AIA Insurance, Inc.

17. The Defendants' Counterclaim damages, if any, were caused by the Defendants' own fault or the fault of others over whom Reed Taylor was not responsible.

18. Defendants' Counterclaims are barred by the doctrine of unconscionability.

19. Defendants' Counterclaims are barred by ratification and express or implied authority.

20. Defendants' Counterclaims are barred because they owe fiduciary duties to Reed Taylor and the actions taken and relief sought is not in accord with those fiduciary duties.

21. Defendants' Counterclaims are barred by the irrevocable power of attorney granted to Reed Taylor by the Defendants.

22. AIA Insurance, Inc.'s Counterclaims are barred because of the failure to obtain proper board, officer or shareholder approval.

23. Defendants' Counterclaims are barred because of breaches of fiduciary duties of the past and present members of the boards of directors of AIA Services Corporation and AIA Insurance, Inc.

24. AIA Services Corporation's Counterclaims and Affirmative Defenses are barred because the Defendants have failed to appoint Reed Taylor to the board of AIA Services Corporation as required, and, therefore, they have no authority to bring such Counterclaims or allege such Affirmative Defenses.

25. Defendants' Counterclaims are barred by the breaches of their duties to act in good faith and in fair dealing.

26. Reed Taylor may not be restrained from voting the shares of AIA Insurance, Inc. because he voted the shares before the Defendants' sought injunctive relief preventing him from voting the shares, i.e., a party cannot be restrained from doing something that has already been done.

27. Reed Taylor is being wrongfully restrained from voting the shares of AIA Insurance, Inc. and acting as its only duly authorized director and officer, and is therefore  
REED TAYLOR'S REPLY TO COUNTERCLAIMS OF AIA SERVICES  
CORPORATION, AIA INSURANCE INC., AND R. JOHN. TAYLOR - 6

entitled to recover all damages from being wrongfully enjoined, including, without limitation, all attorneys' fees and costs paid to the attorneys for the individual defendants from AIA Services Corporation or AIA Insurance, Inc. and all compensation paid to the member of the board of directors.

28. R. John Taylor is not entitled to any damages for infliction of emotional distress because he cannot show any physical injuries or harm.

29. Plaintiff reserves the right to amend its affirmative defenses as warranted by discovery.

**PRAYER FOR RELIEF**

WHEREFORE Reed Taylor requests judgment as follows:

1. Judgment as requested in Reed Taylor's Fourth Amended Complaint.
2. Defendants' Counterclaims be dismissed with prejudice.
3. An award of Reed Taylor's attorneys' fees, costs, expenses and interest to the fullest extent allowed by contract, law and/or equity, including, without limitation, all attorneys' fees, costs and expenses incurred as a result of being wrongfully enjoined from AIA Services Corporation, AIA Insurance, Inc., and R. John Taylor and from the \$200,000 bond posted with the Court.

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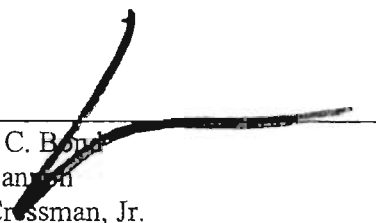
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REED TAYLOR'S REPLY TO COUNTERCLAIMS OF AIA SERVICES CORPORATION, AIA INSURANCE INC., AND R. JOHN. TAYLOR - 7

4. For such further relief as Reed Taylor may request at trial and/or the Court may deem just and equitable.

DATED: This 30<sup>th</sup> day of July, 2007.

SMITH, CANNON & BOND PLLC  
AHLERS & CRESSMAN PLLC

By:   
Roderick C. Bond  
Ned A. Cannon  
Paul R. Crossman, Jr.  
Attorneys for Plaintiff



**CERTIFICATE OF SERVICE**

I, Roderick C. Bond, declare that, on the date indicated below, I served a true and correct copy of Plaintiff's Reply to Counterclaims of AIA Services, AIA Insurance, Inc. and R. John Taylor on the following parties via the methods indicated below:

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
Attorney for Defendants Duclos and Freeman

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Michael E. McNichols  
Clements Brown & McNichols  
321 - 13<sup>th</sup> Street  
Lewiston, Idaho 83501  
Attorneys for Defendant R. John Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Jonathan D. Halley  
Clark & Feeney  
P.O. Box 285  
Lewiston, Idaho 83501  
Attorney for Defendant Connie Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Gary D. Babbitt  
D. John Ashby  
Hawley Troxell Ennis & Hawley LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, Idaho 83701-1617  
Attorneys for AIA Services and AIA Insurance

**Via:**  
☒ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☒ Facsimile - (208) 342-3829

Signed this 30<sup>th</sup> day of July, 2007, at Lewiston, Idaho.

\_\_\_\_\_  
Roderick C. Bond

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PATTY C. WEEKS  
CLERK OF THE DIST. COURT

DEPUTY

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE  
STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

v.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof,  
BRIAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person,

Defendants.

CASE NO. CV07-00208

OPINION AND ORDER ON  
PENDING MOTIONS

This matter is before the Court on the following Motions: (1) Plaintiff's Motion to Compel Audit; (2) Plaintiff's Motion to Amend and Supplement Complaint; (3) Plaintiff's Motion to Bifurcate; (4) Defendants AIA Services and AIA Insurance Motion to Dismiss; (5) Defendants AIA Services and AIA Insurance Motion for Protective Order; (6) Defendant Connie Taylor's Motion to Dismiss Second Amended Complaint; and, (7) Defendant Connie Taylor's Motion to Dismiss Third Amended Complaint. Hearings on the motions were held June 6, 2007,

June 28, 2007 and July 12, 2007. Plaintiff Reed Taylor was represented by attorneys Paul R. Cressman, Jr. and Roderick C. Bond. Defendants AIA Services Corporation and AIA Insurance, Inc. were represented by attorney D. John Ashby. Defendant R. John Taylor was represented by attorney Michael E. McNichols. Defendant Connie Taylor was represented by attorney Jonathan D. Hally. Defendants Bryan Freeman and Jolee Duclos were represented by attorney David A. Gittens. The Court, having read the motions, briefs, and affidavits submitted by the parties, having heard oral arguments of counsel and being fully advised in the matter, hereby renders its decision.

### **FACTUAL BACKGROUND**

The factual background applicable to the above-entitled action was articulated by the Court in its Opinion and Order entered March 8, 2007 and its Opinion and Order entered May 31, 2007. The Court will not repeat the factual background but instead references the reader to the facts as presented in the Court's two previous Opinions and Orders.

### **STANDARDS OF REVIEW**

Two of the pending motions before the Court are Motions to Dismiss pursuant to I.R.C.P. 12(b)(6).

A motion to dismiss for failure to state a claim should not be granted "unless it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim that would entitle him to relief." *Gardner v. Hollifield*, 96 Idaho 609, 611, 533 P.2d 730, 732 (1975). When reviewing a district court's dismissal of a case under I.R.C.P. 12(b)(6), this Court draws all reasonable inferences in favor of the non-moving party. *Young v. City of Ketchum*, 137 Idaho 102, 104, 44 P.3d 1157, 1159 (2002). After drawing all inferences in favor of the non-moving party, the Court then examines whether a claim for relief has been stated. *Id.*

*Taylor v. Maile*, 142 Idaho 253, 257, 127 P.3d 156 (2005).

Plaintiff filed a motion to bifurcate certain claims and counterclaims for purposes of trial.

Idaho Rule of Civil Procedure 42(b) provides:

The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues, always preserving inviolate the right of trial by jury as declared by the Constitutions, statutes or rules of the court.

Also before the Court is Plaintiff's Motion to Amend and Supplement Complaint. The decision to grant or deny a motion to amend is within the discretion of the trial court and is subject to an abuse of discretion standard. *Spur Products Corp. v. Stoel Rives LLP*, 142 Idaho 41, 122 P.3d 300 (2005). When deciding whether to grant or deny a motion to amend, a court must perceive the issue as one of discretion, must act within the outer boundaries of its discretion, must act consistent with the legal standards applicable to the choices available and must reach its decision by an exercise of reason. *Id.*

Finally, Defendants AIA Services and AIA Insurance filed a Motion for Protective Order. The decision to grant or deny a motion for protective order is within the discretionary powers of the court. *Vaught v. Dairyland Insurance Co.*, 131 Idaho 357, 956 P.2d 674 (1998).

### ANALYSIS

#### (1) PLAINTIFF'S MOTION TO COMPEL AUDIT

On March 27, 2007, Plaintiff Reed Taylor filed a Motion to Compel Audit. On March 28, 2007, attorney Michael McNichols filed a Motion to Withdraw as counsel for AIA Services and AIA Insurance. The Court granted the Motion to Withdraw on April 13, 2007. The Court then informed the parties that it would not rule on Plaintiff's Motion to Compel Audit until AIA

Services and AIA Insurance had the opportunity to retain new counsel and address the motion to compel an audit.

On May 7, 2007, a Notice of Appearance was filed by attorneys Gary Babbitt and John Ashby on behalf of Defendants AIA Services and AIA Insurance. On May 24, 2007, counsel for AIA Services and AIA Insurance filed a brief in opposition to Plaintiff's motion to compel an audit. The parties addressed the issue of the motion on June 6, 2007 as part of several motions heard by the Court.

Plaintiff asks the Court to compel an audit of AIA Services and AIA Insurance but has presented the Court with no authority that would allow the Court to enter such an order. Plaintiff instead relies on the rules regarding discovery and asserts from those that the Court has the inherent power to order an audit. The Court is not persuaded by Plaintiff's argument nor is the Court aware of any authority that would allow it to order Defendants AIA Services and AIA Insurance to undergo an audit as a means of discovery. Plaintiff can, and has, made documentary discovery requests relative to the financial status of Defendants AIA Services and AIA Insurance. The Court finds that utilization of the discovery process should provide Plaintiff with significant information regarding the financial status of Defendants AIA Services and AIA Insurance and, therefore, finds an audit at this time to be overly intrusive and untimely.

There being no authority presented to the Court and the Court having found no authority that would allow for an audit to be ordered, the Court denies Plaintiff's motion to compel an audit. Nevertheless, the Court will allow Plaintiff to renew his motion if he is unable to obtain sufficient documentation through conventional discovery to fully evaluate the financial status of AIA Services and AIA Insurance.

(2) AIA SERVICES AND AIA INSURANCE MOTION FOR PROTECTIVE ORDER

Plaintiff filed the above-entitled action on January 29, 2007 and has since filed three amended Complaints. On March 23, 2007, Plaintiff served the Defendants with Requests for Production. Before the discovery requests could be addressed, counsel for Defendants AIA Services and AIA Insurance filed a motion to withdraw and a hearing on the motion was heard by the Court on April 12, 2007. At the end of the hearing, the Court informed the parties an order granting the motion would be entered and Defendants AIA Services and AIA Insurance were directed to have new counsel within twenty (20) days of entry of the Order.<sup>1</sup>

Plaintiff, rather than addressing his discovery requests with Defendants' new counsel, instead engaged the Superior Court of Washington, Asotin County, in his discovery pursuit. On April 12, 2007, Plaintiff filed an Application and Affidavit for Issuance of Subpoenas in the Washington court.<sup>2</sup> The subpoenas duces tecum, issued to the Spokane accounting firms Lemaster & Daniels, PLLC and BDO Seidman LLP, required the firms to produce financial documents belonging to Defendants AIA Services and AIA Insurance. On May 7, 2007, a Notice of Appearance was filed by attorneys Gary Babbitt and John Ashby on behalf of Defendants AIA Services and AIA Insurance. On May 24, 2007, counsel for Defendants AIA Services and AIA Insurance filed a Motion for Protective Order in regards to the subpoena, asserting the information was privileged and/or irrelevant and that the subpoenas were improper.

The Court finds the actions of Plaintiff in the Washington court improper. Without question, Idaho and this Court have the most significant relationship to the account records sought by the Plaintiff. The Defendant corporations are Idaho corporations and the lawsuit that has given rise to the issue of the account records was filed by the Plaintiff in Idaho. The only

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<sup>1</sup> The Court's written Order was entered April 13, 2007.

<sup>2</sup> Plaintiff's application was filed in the Washington court on or about April 12, 2007. The accounting firms that were the subject of the subpoenas are located in Spokane, WA.

Washington connection is the happenstance location of the offices of the accounting firms retained by the Defendants.

The items sought by means of the subpoenas can only be characterized as items of discovery. The discovery process, and questions or objections that may arise in regard to discovery, are properly addressed by only one court. In the instant case, Defendants have objected to certain of the documents demanded in the subpoenas on the basis that much of the information is protected under the accountant-client privilege pursuant to I.R.E. 515 and I.C. § 9-203A. A determination as to whether the privilege applies must be determined by this Court, not a Washington court whose only contact with a complex, multi-party, multi-claim case is the issuance of subpoenas.<sup>3</sup> Therefore, the Court finds entry of an order protecting the documents sought by means of the Washington subpoenas duces tecum appropriate. The Protection Order does not, however, prohibit Plaintiff from seeking the information and documentation through conventional discovery methods nor does it act to prevent Defendants from challenging any discovery requests based on questions of relevancy and privilege.

### (3) DEFENDANT CONNIE TAYLOR'S FIRST MOTION TO DISMISS

On May 30, 2007, Defendant Connie Taylor filed a Motion to Dismiss based on Plaintiff's failure to timely file an amended complaint setting forth a more definite statement as ordered by the court. The Court entered its Order for More Definite Statement on April 26, 2007, directing Plaintiff to file a more definite statement of his allegations against Defendant Connie Taylor within thirty (30) days of entry of the Order. On May 31, 2007, Plaintiff filed a

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<sup>3</sup> Plaintiff argues in his brief in opposition that there can be no accountant-client privilege that would bar him from access to the documents as he is the sole shareholder and director of AIA Services and AIA Insurance. As the Court has noted on more than one occasion, the question of whether Defendants are in default and, as a result, Plaintiff has become the sole shareholder has yet to be determined.

Third Amended Complaint as ordered by the Court. While the Court recognizes that more than thirty days passed from entry of the Court's Order until Plaintiff's filing of his Third Amended Complaint, the Court does not find the late filing to have been so untimely as to merit a dismissal of Defendant Connie Taylor on that basis. The Court recognizes the multi-layered complexity of Plaintiff's lawsuit and finds, given the significant number of claims and multiple Defendants, that Plaintiff's filing was sufficiently timely.

(4) DEFENDANT CONNIE TAYLOR'S SECOND MOTION TO DISMISS

Defendant Connie Taylor's second motion to dismiss was brought pursuant to I.R.C.P. 12(b)(6), failure to state a claim upon which relief may be granted. Defendant Connie Taylor contends Plaintiff's Third Amended Complaint fails to assert any wrongdoing by Defendant Connie Taylor but rather, asserts she is liable for the wrongdoing of her former husband based on the continuing community estate.<sup>4</sup>

Defendant Connie Taylor directs the Court to *Twin Falls Bank & Trust Co. v. Holley*, 111 Idaho 349, 723 P.2d 893 (1986) to support her position that the ability to look to community assets to satisfy a judgment is insufficient, without more, to make a spouse a relevant party. Plaintiff, on the other hand, directs the Court to *Hansen v. Blevins*, 84 Idaho 49, 367 P.2d 758 (1962) to support his position that the community is responsible for tortuous acts even though only one spouse committed the act, making both spouses proper parties. In *Holley* and in *Blevins*, the issue before the courts was whether the prevailing party could look to community assets to satisfy a judgment. In neither case was the non-tortfeasor spouse named as a party to

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<sup>4</sup> Defendant John Taylor and Defendant Connie Taylor obtained a decree of divorce dissolving the marital relationship but to date have not addressed division of the community estate.



the damages action. The issue before the *Holley* and *Blevins* Courts was not the issue raised in the instant case and, therefore, neither case is dispositive on the question before this Court.

In her second motion to dismiss, Defendant Connie Taylor makes the general assertion that as to her, Plaintiff has failed to state a claim upon which relief may be granted. The Court is not persuaded. Defendant Connie Taylor has asserted ownership of an undivided one-half interest in all shares of AIA Services and AIA Insurance. In addition she contends that any agreement impacting the shares requires her approval and she has made demand of Plaintiff for copies of any and all documents filed with the Court in the case.<sup>5</sup> Defendant Connie Taylor's one-half undivided ownership interest in the shares at issue exists because of the community property character of the shares. Where interest in community property may be affected, each spouse may become a necessary party or, at minimum, "may be joined even though it may develop that a personal judgment cannot be entered against her." *Moon v. Brewer*, 89 Idaho 59, 64, 402 P.2d 973 (1965).

In the instant matter, Defendant Connie Taylor not only has a community property interest in the shares of AIA Services, she is herself a shareholder. The critical question in the instant action is whether there has been a default. Flowing from the default issue is the question of whether ownership of all shares of AIA Services and AIA Insurance transferred to Plaintiff upon a default pursuant to the terms of the agreements. Because rightful ownership of the shares may become a matter requiring determination in the litigation, Defendant Connie Taylor is a necessary party on that issue. Plaintiff Reed Taylor has also alleged a cause of action against the shareholders and directors of AIA Services. As a shareholder, Defendant Connie Taylor is a proper party to Plaintiff's claim that the directors and shareholders of AIA Services committed

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<sup>5</sup> Exhibit "A" to the Affidavit of Roderick Bond in Support of Motion to Amend and In Opposition to Connie Taylor's Motion to Dismiss.

acts or omissions that lawfully warrant piercing of the corporate veil.<sup>6</sup> Because Plaintiff's Third Amended Complaint asserts certain causes of actions against shareholders, claims upon which relief may be granted have been asserted against Defendant Connie Taylor in her capacity as a shareholder.<sup>7</sup>

(5) DEFENDANTS AIA SERVICES & AIA INSURANCE MOTION TO DISMISS

Defendants AIA Services and AIA Insurance (hereinafter "AIA") seek dismissal of Plaintiff's first cause of action, asserting a statute of limitations defense. Without conceding that a default occurred, Defendants contend that if there was a default, it occurred well over five years prior to the filing of the lawsuit. Plaintiff contends default occurred within the applicable five (5) year statute of limitations<sup>8</sup> or, alternatively, that the statute of limitations was tolled. Plaintiff's first cause of action, entitled breaches of contract, alleges failure to pay and/or comply with the terms of the Promissory Note, Amended Stock Pledge Agreement and the Amended Security Agreement and Restructure Agreement.<sup>9</sup>

The Promissory Note is dated August 1, 1995 and reads in relevant part as follows:

Payments of interest only shall be made monthly in lawful money of the United States in immediately available funds commencing one month from the date hereof at the address of Payee to which notices are to be sent pursuant to the terms of the Redemption Agreement, or at such other place as the holder hereof shall designate in writing. The entire balance of all principal and any accrued but unpaid interest shall be due and payable on the tenth anniversary of the date of the Note.

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<sup>6</sup> Under Plaintiff Reed Taylor's theory of the case, he is the sole shareholder of AIA Services. Under the Defendants' theory of the case, John Taylor and Connie Taylor each own an undivided one-half interest in the total shares of AIA Services. The record also indicates a specific classification of shares is owned by Donna Taylor.

<sup>7</sup> While the Court has discussed only two claims that appear to be asserted against Defendant Connie Taylor, the Court did not make an exhaustive analysis of each claim and does not, therefore, preclude other of Plaintiff's claims from being applied against the Defendant.

<sup>8</sup> Idaho Code § 5-216.

<sup>9</sup> Defendants' motion to dismiss is based on the language in Plaintiff's Second Amended Complaint, as the Third Amended Complaint filed subsequent to the motion. However, for purposes of Plaintiff's first cause of action, the language in the Second and Third Amended Complaints are identical.

The language of the Note is clear and unambiguous as to payment of the principle. The Note required no payment of the \$6,000,000.00 principal until the tenth anniversary of the date of the Note, or August 1, 2005, at which time the principal was due in full along with any accrued but unpaid interest. Plaintiff filed the above-entitled action on January 29, 2007, approximately seventeen months after the date the Note was due in full, clearly well within the five (5) year statute of limitations.

Interest on the Note, however, was to be paid in monthly installments. Where money is to be paid in installments, the statute of limitations begins to run against a delinquent installment at the time the installment payment is due. *H.M. Chase Corp. v. Idaho Potato Processors, Inc.*, 96 Idaho 398, 529 P.2d 1270 (1974). Therefore, default of any interest payments fall at least in part within the five (5) year statute of limitations. Any default on payment of the principal was within the five year statute of limitations as was at least some portion of any default on payment of the interest. This finding requires the Court to deny Defendants' motion to dismiss Plaintiff's first cause of action and negates the need for the Court to address the question of whether there has been a breach of the other agreements, as those allegations are contained within the first cause of action.

Defendants AIA next assert Plaintiff's second through eleventh<sup>10</sup> causes of action should also be dismissed based on the five (5) year statute of limitations. The causes of action, listed in order, are entitled fraudulent transfers, misrepresentation/fraud, conversion, alter ego, equitable indemnification, account stated/monies due, unjust enrichment, constructive trust, director liability and enforcement of rights. Defendants AIA contend each of the named causes of action

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<sup>10</sup> Defendants refer to the second through tenth causes of action rather than second through eleventh. Plaintiff's Second Amended Complaint has two causes of action entitled "seventh cause of action", causing the Complaint to appear to have only ten causes of action when in fact there are eleven.

are subject to the five (5) year statute of limitations as each arises from the alleged breaches of contract.

“The existence of a contract does not necessarily mean that a cause of action is entirely contractual.” *Galbraith v. Vangas, Inc.*, 103 Idaho 912, 914, 655 P.2d 119 (Ct.App.1982).

Defendants AIA contend in their brief that Plaintiff’s second cause of action alleging fraudulent transfers to avoid paying Plaintiff, must fail because Plaintiff’s first cause of action is barred by the five (5) year statute of limitations. As already stated by the Court, the first cause of action is not barred by the five year statute of limitations. Therefore, even if the five (5) year statute of limitations is applicable to the second cause of action, any fraudulent transfers to avoid payment on August 1, 2005 are within the five (5) year time frame.

The same analysis is applicable to Defendants’ contention as to Plaintiff’s tenth cause of action entitled “enforcement of rights”. Plaintiff contends in his tenth cause of action that upon default of the Note, he became the sole shareholder of AIA Services and should be allowed to exercise his rights as the sole shareholder. As already determined by the Court, if default on the Note occurred it did so on August 1, 2005. The rights Plaintiff seeks to enforce were triggered, if at all, on August 1, 2005, which is well within the five (5) year statute of limitations.

Defendants AIA have taken a different position as to Plaintiff’s third cause of action for misrepresentation/fraud, arguing the claim should be dismissed for failure to plead the fraud claim with sufficient particularity. I.R.C.P. 9(b) requires the elements of fraud to be pled with particularity. “The party alleging fraud must support the existence of each of the elements of the cause of action for fraud by pleading with particularity the factual circumstances constituting fraud.” *Estes v. Barry*, 132 Idaho 82, 86, 967 P.2d 284, 288 (1998).

The elements of fraud are: (1) a representation; (2) its falsity; (3) its materiality; (4) the speaker's knowledge about its falsity or ignorance of its truth; (5) his intent that it should be acted upon by the person and in the manner reasonably contemplated; (6) the hearers ignorance of its falsity; (7) his reliance on the representation; (8) his right to rely thereon; and, (9) his consequent and proximate injury. *Witt v. Jones*, 111 Idaho 165, 168, 722 P.2d 474 (1986). In the instant case, Plaintiff's pleading under the paragraphs entitled 'Third Cause of Action – Misrepresentation/Fraud' is at best minimal. Nevertheless, in the factual background portion of Plaintiff's Second Amended Complaint, he has pled facts relative to his allegation of fraud with sufficient particularity to withstand Defendants motion to dismiss.

Defendants contend Plaintiff's conversion claim under his fourth cause of action is factually unsupportable and must be dismissed.

"Conversion" has been defined as "a distinct act of dominion wrongfully asserted over another's personal property in denial [of] or inconsistent with [the] rights therein." *Torix v. Allred*, 100 Idaho 905, 910, 606 P.2d 1334, 1339 (1980). A cause of action for conversion is a remedy available to a pledgor against a secured party-pledgee who refuses to return the collateral if a security agreement does not give a legal right to retain the collateral after a demand for return by the pledgor. *See Nora v. Safeco Insurance Co.*, 99 Idaho 60, 577 P.2d 347 (1978); 69 Am.Jur.2d., Secured Transactions § 244 (1973). If at the time the pledgor makes the demand for the return of the collateral, the secured party has a contractual right to continue to retain the collateral, then its refusal to return the collateral would not be an "act of dominion wrongfully asserted." If, however, the pledgor makes a rightful and reasonable demand for return of the collateral, the pledgee must act reasonably in either returning the collateral or in refusing to do so. *See Prosser, Law of Torts* (1971) at 90. The Second Restatement of Torts, § 222A(2) (1965) cites the following elements for consideration "[I]n determining the seriousness of the interference and the justice of requiring the actor to pay full value ...":

- (a) The extent and duration of the actor's exercise of dominion or control;
- (b) The actor's intent to assert a right in fact inconsistent with the other's right of control;
- (c) The actor's good faith;
- (d) The extent and duration of the resulting interference with the other's right of control;

- (e) The harm done to the chattel;
- (f) The inconvenience and expense caused to the other.

Reasonableness becomes an issue in conversion after demand and notice to pledgee, and pertains, among other things, to the good faith of the pledgee in dealing with the collateral thereafter. Good faith and fair dealing are implied obligations of every contract.

*Luzar v. Western Surety Co.*, 107 Idaho 693, 696, 692 P.2d 337 (1984).

Given the current record, Plaintiff's claim for conversion, while tenuous, is supported by the facts as pled. Defendants correctly note that Plaintiff's claim for payment of the Note is a claim in contract and does not support a claim for conversion. However, Plaintiff contends that more than a refusal to pay the Note has occurred. Plaintiff contends default occurred on the Note, Plaintiff made written demand for the transfer of his 'rights' triggered by the default and Defendants refused to return to Plaintiff the rights to which he believes he is entitled. Plaintiff's claim to the shares of AIA and the rights that accompany ownership of the shares is sufficient at this point to sustain his claim for conversion. In addition, Plaintiff has alleged that AIA assets, which are security for the Note, have been wrongfully converted to Crop USA assets. While yet to be proven, Plaintiff has pled sufficient facts on this issue to sustain his conversion claim.

Plaintiff's fifth cause of action is entitled 'alter ego' and, in articulating his claim, Plaintiff's pleading asserts the corporate veil should be pierced in order to hold the directors of AIA personally liable for fraudulent acts and/or omissions. In briefing, Plaintiff asserts the claim includes constructive trust and director liability claims. The Court, however, is to look only to Plaintiff's pleading to determine whether a claim for which relief may be granted has been sufficiently pleaded.

Generally, every corporation will be regarded as a separate legal entity. *Jolley v. Idaho Securities, Inc.*, 90 Idaho 373, 414 P.2d 879 (1966). The powers of a court to disregard a corporate entity must be exercised cautiously. *Id.* Two requirements for application of the doctrine are (1) that there be such a unity of

interest and ownership that the separate personalities of the corporation and the individual no longer exist and (2), that if the acts are treated as those of the corporation an inequitable result will follow. *Baker v. Kulczyk*, 112 Idaho 417, 732 P.2d 386 (Ct.App.1987); *Chick v. Tomlinson*, 96 Idaho 483, 531 P.2d 573 (1975); *Surety Life Ins. Co. v. Rose Chapel Mortuary, Inc.*, 95 Idaho 599, 514 P.2d 594 (1973). See also *Jolley v. Idaho Securities, Inc.*, 90 Idaho 373, 414 P.2d 879 (1966); 18 AM.JUR.2d Corporations, § 15, at page 561 (1965); FLETCHER, Corporations, § 41, at page 166 (1963). The inequitable result has also been stated as “sanctioning a fraud or promoting injustice.” *Baker*, 112 Idaho at 420, 732 P.2d at 389.

*Alpine Packing v. H.H. Keim Co.*, 121 Idaho 762, 763, 828 P.2d 325 (Ct.App.1991).

Managing a corporation in such a manner that it becomes the alter ego of an individual or individuals is not an unlawful act. Rather, it is conduct that may cause the directors or officers of a corporation to have personal liability for certain acts and/or omissions committed in the name of, or on behalf of, the corporation. Nevertheless, Idaho’s courts have indicated in dicta that asserting the right to pierce the corporate veil should be brought as a separate claim. *Durrant v. Quality First Marketing, Inc.*, 127 Idaho 558, 903 P.2d 147 (Ct.App.1995) (Plaintiff’s action included a claim to pierce the corporate veil and three claims of fraud); *Magic Valley Radiology, P.A. v. Kolouch*, 123 Idaho 434, 849 P.2d 107 (1993) (Plaintiff brought claim to piercing the corporate veil as well as claims for fraudulent transfers, director liability and continuation of business). In the instant case, Plaintiff’s pleading alleges the directors of AIA committed acts of fraud and misrepresentation such that personally liability should attach. Therefore, Plaintiff’s claim to pierce the corporate veil, which Plaintiff entitles ‘alter ego’, will not be dismissed.

Plaintiff’s sixth cause of action is for equitable indemnification based on the allegation that AIA failed to redeem certain shares of stock to the detriment of Plaintiff.

The right to indemnity is an equitable principle that has been preserved by statute. I.C. § 6-804(2). For the right of indemnity to arise, there first must be an indemnity relationship. *Chenery v. Agri-Lines Corp.*, 115 Idaho 281, 766 P.2d 751 (1988); *R.W. Beck and Associates, Inc. v. Job Line Const., Inc.*, 122 Idaho 92, 831 P.2d 560 (Ct.App.1992). An indemnity relationship between tortfeasors

exists when the parties share a common liability for the same harm. RESTATEMENT (SECOND) TORTS § 886B (1979). The relationship may arise by express or implied agreement and also by operation of law to prevent an unjust result. PROSSER AND KEETON ON TORTS § 51, at 341-42 (5th ed. 1984). The right to equitable indemnity has been recognized (1) when the indemnitee's liability was based on passive neglect and the indemnitor was guilty of recklessness; (2) when the indemnitee owed only a secondary duty to the injured party and the indemnitor was primarily responsible; or (3) when the indemnitee was only vicariously liable. *May Trucking Co. v. International Harvester Co.*, 97 Idaho 319, 543 P.2d 1159 (1975).

*Mitchell v. Valerio*, 124 Idaho 283, 285, 858 P.2d 822 (Ct.App.1993).

The Court finds Plaintiff's claim for equitable indemnification fails to articulate an indemnity relationship from which his alleged right arises. Plaintiff's pleading states that shares were issued to Donna Taylor as a result of the dissolution of marriage between Plaintiff Reed Taylor and Donna Taylor. Plaintiff's pleading, however, fails to articulate how the issuing of the shares was an act sounding in tort on the part of AIA or how the transaction, which was part of the divorce settlement, created an indemnity relationship between Plaintiff Reed Taylor and AIA. Therefore, Plaintiff's claim for equitable indemnification fails as a matter of law.

Plaintiff's seventh cause of action for account stated/monies due fails as a matter of law. Plaintiff's allegation, which appears more fitted to his claims of fraud, contends John Taylor extinguished his personal debt owed to AIA of \$307,271.00 by recording a credit to John Taylor and a debit to AIA's obligation on the Note owed to Plaintiff Reed Taylor. Plaintiff characterizes the accounting adjustment as an involuntary loan from Reed Taylor to John Taylor. The facts as presented by Plaintiff cannot be characterized as an account stated demand and obligation.

In *O'Harrow v. Salmon River Uranium Development, Inc.*, 84 Idaho 427, 373 P.2d 336 (1962), our Supreme Court said:

To constitute an account stated the transaction must be understood by the parties as a final adjustment of the respective demands between them and the amount due. An account stated becomes a new contract which



exhibits the state of account between the parties and the balance owing one to the other, and two things must appear, first a mutual examination of the claims of each other by the parties; and second, that there is a mutual agreement between them as to the correctness of the allowance and disallowance of the respective items or claims and of the balance as struck upon the final adjustment of the whole account and demands on both sides . . . . An account stated must receive the assent of both parties; the minds of the parties must meet for an account becomes stated only by reason of acquiescence in its correctness.

*Id.* at 430-31, 373 P.2d at 338. The “account, in order to constitute a contract, should appear to be something more than a mere memorandum; it should show upon its face that it was intended to be a final settlement up to date, and this should be expressed with clearness and certainty.” *Davidson Grocery Co. v. Johnston*, 24 Idaho 336, 345, 133 P. 929, 931-32 (1913).

*Argonaut Ins. Companies v. Tri-West Construction Co.*, 107 Idaho 643, 645-646, 691 P.2d 1258 (Ct.App.1984).

In the instant case, Plaintiff has presented no facts that support a finding that the parties have reached a meeting of the minds that the alleged account is correct or that it reflects a final adjustment of the respective demands between the parties. Plaintiff’s efforts to characterize the alleged event as an account stated/monies dues claim is without basis in the law and is unsupported by the facts and, therefore, must be dismissed.

Plaintiff’s Second Amended Complaint includes a ‘second’ seventh cause of action for unjust enrichment. As with Plaintiff’s claim for account stated, his unjust enrichment claim is nothing more than an attempt to put a new heading over his fraud claims. The elements of unjust enrichment are: (1) a benefit conferred upon defendant by plaintiff, (2) appreciation by the defendant of the benefit, and (3) acceptance of the benefit under circumstances that would be inequitable for the defendant to retain the benefit without payment of the value thereof.

*Aberdeen-Springfield Canal Co. v. Peiper*, 133 Idaho 82, 88, 982 P.2d 917, 923 (1999). At no time has Plaintiff assert he conferred a benefit upon the Defendants. Rather, Plaintiff contends the Defendants, through their acts of fraud and wrongdoing, conferred a benefit upon themselves

and that it would be inequitable for them to benefit from their wrongdoing. The facts as pled by Plaintiff do not support a claim for unjust enrichment.

Plaintiff's eighth cause of action seeks the imposition of a constructive trust to recover funds and other assets that Plaintiff asserts were used to benefit the Defendants but that should have been used to meet the obligations due to Plaintiff under the terms of the various agreements and promissory note. "A constructive trust arises where legal title to property has been obtained through actual fraud, misrepresentations, concealments, taking advantage of one's necessities, or under circumstances otherwise rendering it unconscionable for the holder of legal title to retain beneficial interest in the property." *Witt v. Jones*, 111 Idaho 165, 168, 722 P.2d 474 (1986).

While Plaintiff's Second Amended Complaint is less than artfully drafted, it is a common practice when setting forth claims and counterclaims to set out a separate claim for imposition of a constructive trust. *See Taylor v. Maile*, 142 Idaho 253, 257, 127 P.3d 156 (2005); *Oldcastle Precast, Inc. v. Parktowne Construction, Inc.*, 142 Idaho 376, 128 P.3d 913 (2005); *Idaho First Nat'l Bank v. David Steed and Associates, Inc.*, 121 Idaho 356, 825 P.2d 79 (1992). The Court, having found Plaintiff has sufficiently pled his claims for fraud and misrepresentation, will not dismiss Plaintiff's request for imposition of a constructive trust. The above said, the Court notes Defendant correctly points out a constructive trust is an equitable remedy available upon request after a plaintiff has met his applicable burden.

A constructive trust is a remedial device created primarily to prevent unjust enrichment; equity compels the restoration to another of property to which the holder thereof is not justly entitled. (Citations omitted) . . . [A] constructive trust may be imposed in practically any case where there is a wrongful acquisition or detention of property to which another is entitled.

*Taylor v. Polackwich*, 145 Cal.App.3d 1014, 194 Cal.Rptr. 8, 13 (2nd Dist.1983). As noted in G. BOGERT, HANDBOOK OF THE LAW OF TRUSTS (5th ed. 1973), at 290, "[t]he only problem of great importance in the field of constructive trusts is to decide whether, in the numerous and varying fact situations presented

to the courts, there is a wrongful holding of property and hence a potential unjust enrichment of the defendant.”

*Chinchurreta v. Evergreen Management*, 117 Idaho 591, 593, 790 P.2d 372 (Ct.App.1989).

The last cause of action to be addressed is Plaintiff's claim for director liability.

A director who personally participates in a tort is personally liable to the victim, even though the corporation might also be vicariously liable. H. HENN & J. ALEXANDER, *LAWS OF CORPORATIONS*, § 218, at 582 (1983). However,

[a] director of a corporation does not incur personal liability for its torts by reason of his official character; he is not liable for torts by or for the corporation unless he has participated in the wrong. Accordingly, directors who are not parties to a wrongful act on the part of other directors are not liable therefore. If, however, a director or officer commits or participates in the commission of a tort, whether or not it is also by or for the corporation, he is [personally] liable to third persons injured thereby, and it does not matter what liability attaches to the corporation for the tort.

18B AM.JUR. Corporations § 1877, at 723-24 (1985) (emphasis added). However, a director is not liable for the wrongful acts of officers, agents, or employees of the corporation where he has not participated in or ratified the act. Id. § 1879, at 727. “Participation” may be found on the basis of direct action, but also may consist of knowing approval or ratification of the unlawful acts of others. Id. § 1877, at 725.

*Eliopulos v. Knox*, 123 Idaho 400, 404-405, 848 P.2d 984 (Ct.App.1992).

Plaintiff has alleged that the directors of AIA committed intentional torts that may have exposed the directors to personal liability. Plaintiff, having pled sufficient facts to support his allegations, must now have the opportunity to meet his burden of proving those allegations. Therefore, Plaintiff's cause of action for director liability will not be dismissed.

#### (6) PLAINTIFF'S MOTION TO AMEND AND SUPPLEMENT COMPLAINT

Idaho Rule of Civil Procedure 15(a) provides:

A party may amend the party's pleading once as a matter of course at any time before a responsive pleading is served or, if the pleading is one to which no

responsive pleading is permitted and the action has not been placed upon the trial calendar, the party may so amend it at any time within twenty (20) days after it is served. Otherwise a party may amend a pleading only by leave of court or by written consent of the adverse party; and leave shall be freely given when justice so requires, and the court may make such order for the payment of costs as it deems proper. A party shall plead in response to an amended pleading within the time remaining for response to the original pleading or within ten (10) days after service of the amended pleading, whichever period may be the longer, unless the court otherwise orders.

The decision to grant or deny a motion to amend a complaint is within the discretion of the trial court and will be upheld unless it is found a court abused its discretion. *Spur Products Corp. v. Stoel Rives LLP*, 142 Idaho 41, 122 P.3d 300 (2005). In considering whether to grant a motion to amend a complaint, a trial court may consider whether the amended pleading sets out a valid claim, whether the opposing party would be prejudiced by any undue delay, or whether the opposing party has an available defense to the newly added claim. *Spur Products Corp. v. Stoel Rives LLP*, 142 Idaho at 44. However, a court may not weigh the sufficiency of the evidence related to the additional claim. *Id.*

In the instant case, the Court finds the Defendants will suffer no prejudice or undue delay by the filing of a Fourth Amended Complaint. Therefore, the Court grants Plaintiff's Motion to Amend and Supplement Complaint. The Court cautions Plaintiff, however, that the Fourth Amended Complaint as proposed must be redrafted so as to be consistent with the Court's ruling today.

#### (7) PLAINTIFF'S MOTION TO BIFURCATE

The Court reserves its ruling on Plaintiff's Motion to Bifurcate issues for trial pending filing of Plaintiff's Fourth Amended Complaint. The Court anticipates that bifurcation of certain

claims and/or parties is likely following finalization of the Pleadings and clear establishment of the remaining issues.

### ORDER

Plaintiff's Motion to Compel Audit is hereby DENIED.

Defendants AIA Services' and AIA Insurance's Motion for Protective Order is hereby GRANTED.

Defendant Connie Taylor's Motion to Dismiss Second Amended Complaint is hereby DENIED.

Defendant Connie Taylor's Motion to Dismiss Third Amended Complaint is hereby DENIED.

Defendants AIA Services' and AIA Insurance's Motion to Dismiss is ruled on as follows:

- (a) As to Plaintiff's First Cause of Action for Breaches of Contract, Defendants' Motion to Dismiss is hereby DENIED.
- (b) As to Plaintiff's Second Cause of Action for fraudulent transfers, Defendants' Motion to Dismiss is hereby DENIED.
- (c) As to Plaintiff's Third Cause of Action for misrepresentation/fraud, Defendants' Motion to Dismiss is hereby DENIED.
- (d) As to Plaintiff's Fourth Cause of Action for conversion, Defendants' Motion to Dismiss is hereby DENIED.
- (e) As to Plaintiff's Fifth Cause of Action for alter ego, Defendants' Motion to Dismiss is hereby DENIED.

(f) As to Plaintiff's Sixth Cause of Action for equitable indemnification, Defendants' Motion to Dismiss is hereby GRANTED.

(g) As to Plaintiff's Seventh Cause of Action for account stated/monies due, Defendants' Motion to Dismiss is hereby GRANTED.

(h) As to Plaintiff's ['2<sup>nd</sup>'] Seventh Cause of Action for unjust enrichment, Defendants' Motion to Dismiss is hereby GRANTED.

(i) As to Plaintiff's Eighth Cause of Action for constructive trust, Defendants' Motion to Dismiss is hereby DENIED.

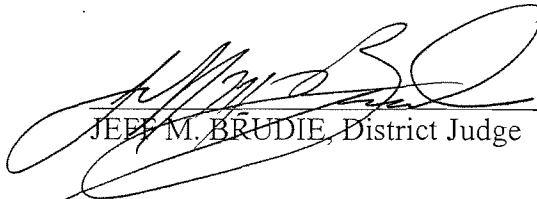
(j) As to Plaintiff's Ninth Cause of Action for director liability, Defendants' Motion to Dismiss is hereby DENIED.

(k) As to Plaintiff's Tenth Cause of Action for fraudulent transfers, Defendants' Motion to Dismiss is hereby DENIED.

Plaintiff's Motion to Amend and Supplement Complaint is hereby GRANTED conditioned on the Fourth Amended Complaint being consistent with the Court's rulings above.

Plaintiff's Motion to Bifurcate is hereby RESERVED FOR RULING.

Dated this 2 day of August 2007.

  
JEFF M. BRUDIE, District Judge

CERTIFICATE OF MAILING

I hereby certify that a true copy of the foregoing OPINION AND ORDER was:

\_\_\_\_\_ hand delivered via court basket, or

☒ mailed, postage prepaid, by the undersigned at Lewiston, Idaho, this 2<sup>nd</sup> day of August 2007, to:

Roderick Bond  
508 Eighth St  
Lewiston, ID 83501

Paul Cressman  
999 Third Ave., Ste., 3100  
Seattle, WA 98104-4088

Michael McNichols  
PO Box 1510  
Lewiston, ID 83501

*Messenger  
Service*

Jonathan Hally  
PO Box 285  
Lewiston, ID 83501

*Messenger  
Service*

David Gittins  
PO Box 191  
Clarkston WA 99403

Gary Babbitt / John Ashby  
PO Box 1617  
Boise, ID 83701-1617

PATTY O. WEEKS, CLERK

By: *Samuel S. [Signature]*

Deputy



FILED

2007 AUG 14 PM 3 34

PATTY O. WELLS  
CLERK OF THE DIST. COURT

*[Handwritten signature]*  
DEPUTY

RODERICK C. BOND  
NED A. CANNON, ISB #2331  
Smith, Cannon & Bond PLLC  
Attorneys for Plaintiff Reed J. Taylor  
508 Eighth Street  
Lewiston, Idaho 83501  
Telephone: (208) 743-9428  
Fax: (208) 746-8421

PAUL R. CRESSMAN, JR., ISBA #7563  
Ahlers & Cressman PLLC  
Attorneys for Plaintiff Reed J. Taylor  
999 Third Avenue, Suite 3100  
Seattle, Washington 98104-4088  
Telephone: (206) 287-9900  
Fax: (206) 287-9902

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE STATE OF  
IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person,

Plaintiff,

v.

AIA SERVICES CORPORATION, an  
Idaho corporation; AIA INSURANCE,  
INC., an Idaho corporation; R. JOHN  
TAYLOR and CONNIE TAYLOR,  
individually and the community property  
comprised thereof; BRYAN FREEMAN,  
a single person; JOLEE DUCLOS, a single  
person; CROP USA INSURANCE  
AGENCY, INC., an Idaho Corporation; and  
JAMES BECK and CORRINE BECK,  
individually and the community property  
comprised thereof;

Defendants.

Case No.: CV-07-00208

FOURTH AMENDED COMPLAINT

FOURTH AMENDED COMPLAINT – 1

ORIGINAL

1093



Plaintiff Reed J. Taylor submits this Fourth Amended Complaint against the Defendants alleging as follows:

**I. PARTIES, JURISDICTION AND VENUE**

1.1 Plaintiff Reed J. Taylor ("**Reed**") is a single person and a resident of Lewiston, Nez Perce County, Idaho.

1.2 Defendant AIA Services Corporation ("**AIA Services**") is an Idaho corporation with its principal place of business located in Lewiston, Nez Perce County, Idaho.

1.3 Defendant AIA Insurance, Inc. ("**AIA Insurance**") is an Idaho corporation with its principal place of business is located in Lewiston, Nez Perce County, Idaho. AIA Insurance is a wholly owned subsidiary of AIA Services.

1.4 Defendant Connie Taylor ("**Connie**") is a single person residing in Lewiston, Nez Perce County, Idaho.

1.5 Defendants R. John Taylor and Connie Taylor, were husband and wife until on or about December 16, 2005 (collectively "**John**") and at all relevant times were residents of Lewiston, Nez Perce County, Idaho. All references to "**John**" are for acts, omissions, claims, causes of action, and/or liabilities that accrued on or before December 16, 2005, are for John individually, and were also performed on behalf of R. John Taylor and Connie Taylor's marital community (which benefited from R. John Taylor's acts and/or omissions) as to divided and undivided community property. All references to "**John**" for acts, omission, claims, causes of action, and/or liabilities that accrued after December 16, 2005, are for John individually and pertain to Connie as to their divided and undivided community property.

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1.6 Defendant JoLee Duclos (“**Duclos**”) is a single person residing in Clarkston, Washington.

1.7 Defendant Bryan Freeman (“**Freeman**”) is a single person residing in Lewiston, Nez Perce County, Idaho.

1.8 Defendant Crop USA Insurance Agency, Inc. (“**Crop USA**”) is an Idaho corporation.

1.9 Defendant James Beck and Corrine Beck (collectively “**Beck**”) are residents of the state of Minnesota. All references to “**Beck**” are for acts, omissions, claims, causes of action, and/or liabilities that accrued are for James Beck individually, and were also performed on behalf of James Beck and Corrine Beck’s marital community (which benefited from James Beck’s acts and/or omissions) and pertain to Corrine Beck as to acts and/or omissions on behalf of the community and as to all community property.

1.10 The District Court has jurisdiction over this matter under I.C. § 1-705.

1.11 Venue is proper in the District Court of the Second Judicial District, Nez Perce County pursuant to I.C. § 5-404.

## **II. FACTUAL BACKGROUND**

2.1 John, was at all relevant times, an officer and director of AIA Services, AIA Insurance, and Crop USA. During the certain relevant times in which John was a director and officer of AIA Insurance and AIA Services, he owed fiduciary duties to Reed as the single largest creditor of AIA Insurance and AIA Services. John and Connie are the majority shareholders in AIA Services and own approximately 40% of the outstanding shares of Crop USA.

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2.2 R. John Taylor and Connie Taylor were divorced through an Interlocutory Decree filed on December 16, 2005, under which only a portion of their community assets were divided and other property remained undivided. This action includes, but is not limited to, acts, omissions, transactions, debts, claims, and/or causes of action which accrued prior to R. John Taylor and Connie Taylor's dissolution. All references to "**John**" in this Complaint are for claims, breaches of duties, acts, omissions and liabilities incurred by R. John Taylor on behalf of the marital community of R. John Taylor and Connie Taylor, together with their community property, whether divided or not through the effective date of their dissolution decree entered on or about December 16, 2005.

2.3 After the effective date of R. John Taylor and Connie Taylor's decree of dissolution, all references to "**John**" in this Complaint are for claims, breaches of duties, acts, omissions and/or liabilities incurred by R. John Taylor individually. One of the reasons Connie Taylor is named as a party in this action for her derivative liability by virtue of her marriage to R. John Taylor and her interest in the community property of the marriage (including all divided and undivided community property of their marriage) all of which is subject to liability for the allegations in this Complaint of the acts, breaches of duties, claims, omissions, and conduct of R. John Taylor on and prior to December 16, 2005.

2.4 During the certain relevant times that Connie Taylor ("**Connie**") was a director of AIA Insurance and AIA Services, she owed fiduciary duties to Reed as the single largest creditor of the corporations. Connie is also individually liable for all claims, breaches of duties, acts, omissions and/or liabilities during certain relevant times in which she was a member of the board of directors of AIA Services and AIA Insurance.

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2.5 Duclos is, and was at certain relevant times, an officer and director of AIA Services, AIA Insurance, and Crop USA. Duclos is a shareholder in AIA Services and Crop USA. During the certain relevant times that Duclos was a director and officer of AIA Insurance and AIA Services, she owed fiduciary duties to Reed as the single largest creditor of the corporations.

2.6 Freeman is, and was at certain relevant times, a director of AIA Services, AIA Insurance, and Crop USA. Freeman is a shareholder in AIA Services and Crop USA. During the certain relevant times that Freeman was a director of AIA Insurance and AIA Services, he owed fiduciary duties to Reed as the single largest creditor of the corporations.

2.7 Defendants R. John Taylor and Connie Taylor own approximately 40% of Crop USA, which remained undivided community property at the time Reed filed his original Complaint.

2.8 Defendant Beck is a shareholder in AIA Services and Crop USA. During the certain relevant times that Beck was a member of the board of directors of AIA Insurance and AIA Services, he owed fiduciary duties to Reed as the single largest creditor of the corporations.

2.9 Reed was the founder and majority shareholder of AIA Services. In 1995, John desired to redeem Reed's 613,494 shares of common stock in AIA Services through a stock redemption agreement. Upon the closing of the transaction of AIA Services' redemption of Reed's shares, John became the majority shareholder in AIA Services.

2.10 AIA Insurance, a subsidiary of AIA Services, is wholly owned by AIA Services and where virtually all of AIA Services' revenues are derived. AIA Insurance is lessee of the office building located at 111 Main Street, Lewiston, Idaho.

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2.11 On or about July 22, 1995, AIA Services and Reed entered into a Stock Redemption Agreement, Stock Pledge Agreement, and Security Agreement. Under the terms of the Stock Redemption Agreement and related agreements, AIA Services agreed to execute promissory note to timely pay Reed \$1,500,000 Million in 90 days ("**Down Payment Note**") and \$6,000,000, plus accrued interest due and payable monthly at the rate of 8¼% per annum ("**Promissory Note**").

2.12 The Promissory Note was executed by John on behalf of AIA Services on or about August 1, 1995. Under the terms of the Promissory Note, AIA Services was required to timely pay all accrued interest monthly to Reed and the principal amount of \$6,000,000, plus all accrued but unpaid interest was due and payable on August 1, 2005.

2.13 Under the terms of the Stock Redemption Agreement, AIA Services and AIA Insurance also agreed to contemporaneously execute a Security Agreement and Stock Pledge Agreement, among other agreements and documents. The Stock Redemption Agreement, Stock Pledge Agreement, and Security Agreement were all either authorized by the Board of Directors of AIA Services and/or AIA Insurance and/or approved by a shareholder vote.

2.14 When AIA Services was unable to comply with the Stock Redemption Agreement, Stock Pledge Agreement, and Security Agreement, John (on behalf of AIA Services) entered into negotiations with Reed regarding restructuring the obligations. In 1996, AIA Services, AIA Insurance and Reed agreed to modify the Stock Redemption Agreement and executed the Stock Redemption Restructure Agreement ("**Restructure Agreement**"). Contemporaneously with the execution of the Restructure Agreement, the parties executed an Amended and Restated Stock Pledge Agreement ("**Amended Stock Pledge Agreement**") and an Amended and Restated Security Agreement ("**Amended Security Agreement**").

2.15 Under the terms of the Restructure Agreement, the terms of the Promissory Note remained unchanged and were not modified (including the \$6,000,000 principal amount, due date, and required monthly interest payments). Under the terms of the Amended Security Agreement, Reed received a security interest in all of AIA Services and AIA Insurance's commissions and related services (and all proceeds thereof) and AIA Services and AIA Insurance were required to have a Lock Box for all commissions for the benefit of Reed.

2.16 Under the terms of the Amended Stock Pledge Agreement, AIA Services pledged all of the outstanding shares in AIA Insurance to Reed as partial security for AIA Services' indebtedness to Reed under the agreements. Under the terms of the Amended Stock Pledge Agreement, AIA Services' failure to timely pay Reed interest or principal under the Promissory Note or Down Payment Note constituted an Event of Default. In an Event of Default for failure to timely pay interest or principal under the Promissory Note, AIA Services' insolvency, or AIA Services' failure to maintain the required Lock Box (among other Events of Default), AIA Services' right to vote the pledged shares of AIA Insurance ceased and terminated and vested exclusively in Reed.

2.17 Under the terms of the Amended Stock Pledge Agreement, Reed was required to be a member of the board of directors of AIA Services until Reed was paid in full or sufficient security was posted to ensure the payment of the Promissory Note. AIA Services never posted bonds or other security for the payment of the Promissory Note. In excess of six years, AIA Services, John, Duclos and/or Freeman have intentionally refused to appoint Reed to the Board as required. A new right to be a member of the board of AIA Services is created every year as directors are elected yearly. Despite Reed's demands and AIA Services' contractual obligations to keep Reed on the board of directors, AIA Services, John, Duclos, Freeman, Connie and/or

FOURTH AMENDED COMPLAINT – 7

Beck have refused to appoint Reed to the Board of Directors of AIA Services as required. Because Reed has not been on the Board as required, all actions taken by AIA Services' Board were not properly authorized and, therefore, not ratified by AIA Services; and such acts are the personal actions of John, Duclos, Freeman, Connie and/or Beck during their tenure on the board of AIA Services.

2.18 Under the Amended Stock Pledge Agreement, AIA Services agreed to not loan money to any affiliate other than a wholly owned subsidiary. AIA Services has loaned money to or provided other services or benefits to affiliates and other parties in violation of the Amended Stock Pledge Agreement, and such loans or benefits were made during times in which John, Duclos, Freeman, Connie and/or Beck were Board members.

2.19 The Promissory Note required monthly interest payments with an acceleration clause if payments were not properly made to Reed. The acceleration clause requires written notice from Reed to AIA Services of default and AIA Services would be entitled to a five day opportunity to cure before Reed could exercise his rights under the Amended Stock Pledge Agreement or Amended Security Agreement. The obligations owed to Reed under the Promissory Note are independent of any other obligations owed by the Defendants and secured by the Amended Stock Pledge Agreement and Amended Security Agreement.

2.20 During relevant times, the value of AIA Services and AIA Insurance was less than the aggregate amount of their total debts, which constitutes AIA Services and AIA Insurance's insolvency. During relevant times, AIA Services and AIA Insurance were unable to pay their debts as they became due, which constitutes AIA Services and AIA Insurance's insolvency.

2.21 During certain relevant times, Reed was the largest and only significant creditor of AIA Services. Because AIA Services has failed to timely and properly pay creditors as

required during certain relevant times and/or was insolvent, John, Duclos, Freeman, Connie and Beck owed fiduciary duties to creditors and, specifically Reed because of his status as AIA Services' largest creditor.

2.22 During certain relevant times, AIA Services and/or AIA Insurance were in default of various provisions of the agreements with Reed, insolvent and/or unable to timely pay its debts to Reed and/or other creditors. During certain relevant times, AIA Services has failed to comply with the terms of the Promissory Note.

2.23 Instead of paying Reed as required, AIA Services, AIA Insurance, John, Duclos, Connie, Beck, and/or Freeman utilized funds that Reed had a security interest in to make investments in, transfer assets to, or loan money to, or provide services on behalf of John and/or entities operated and/or partially owned by John, Connie, Beck, Freeman, Duclos and/or one or more of the other Defendants.

2.24 On or about December 12, 2006, Reed provided AIA Services written notice of default under various provisions of the Restructure Agreement, Amended Stock Pledge Agreement, and Amended Security Agreement, including, without limitation, AIA Services' failure to pay principal and interest due under the Promissory Note, failure to maintain the Lock Box, loaning money to non-wholly owned subsidiaries (including guaranteeing the \$15 Million revolving line-of-credit for Crop USA Insurance Agency, Inc.), failure to provide all required financial information, and other defaults as set forth in the notice. AIA Services and AIA Insurance have failed to timely cure the defaults and all applicable cure periods have expired. As of the date of this Complaint, the principal owed to Reed under the Promissory Note of \$6,000,000, plus accrued interest of over \$2,000,000 had not been paid in full as required.

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2.25 Prior to Reed's Notice of Default dated December 12, 2006, Reed had never accelerated any of the indebtedness due under the Promissory Note. Even though AIA Services and AIA Insurance failed to cure such defaults set forth in Reed's Notice of Default dated December 12, 2006, AIA Services continued to make partial interest payments before and after the date of Reed's original Complaint. All amounts due under the Promissory Note are secured by the remedies available under the Amended Stock Pledge Agreement and Amended Security Agreement.

2.26 Despite Reed's demands, AIA Services, AIA Insurance, John, Freeman, Duclos, Connie and/or Beck have failed to comply with the terms of the Restructure Agreement, Amended Stock Pledge Agreement, and Amended Security Agreement. Under the Amended Stock Pledge Agreement, the right to vote all of AIA Insurance's shares ceased and terminated for AIA Services and became vested in Reed when AIA Services failed to timely pay the required monthly interest payments due under the Promissory Note and its subsequent failure to pay the \$6,000,000 principal due under the Promissory Note on August 1, 2005. AIA Services was in default before Reed demanded to exercise his right to hold a special shareholder meeting to vote the shares to appoint a new board of directors for AIA Insurance.

2.27 On December 12, 2006, Reed timely provided notice of his demand for a special shareholder meeting of AIA Insurance for the purpose of removing and appointing new board members on December 26, 2006. AIA Services, AIA Insurance, John, Duclos and/or Freeman refused to comply with Reed's demand for a special shareholder meeting by representing that AIA Insurance's offices were closed on December 26, 2006.

2.28 Through a letter dated January 3, 2007, John acknowledged Reed's rights under the Amended Stock Pledge Agreement when he stated "I fully recognize that [Reed] Taylor may

take actions he deems appropriate, including calling a special shareholders meeting.”

2.29 On or about January 25, 2007, Reed hand delivered another demand for a special shareholder meeting for the removal and appointment of the board of directors for February 5, 2007, pursuant to his rights under the Amended Stock Pledge Agreement. Through a letter from Duclos, AIA Insurance refused Reed’s request and denied that he had the right to call a meeting to vote the AIA shares. Despite Reed’s demands, AIA Insurance refused to hold a special shareholder meeting.

2.30 Despite Reed’s demands, AIA Services and AIA Insurance failed to cure the numerous Defaults under the terms of the Restructure Agreement, Amended Stock Pledge Agreement and Amended Security Agreement, among other obligations (as described above). Through the date of this Complaint, AIA Services and AIA Insurance’s Defaults were not timely cured and they remained in Default.

2.31 On February 22, 2007, Reed exercised his right to vote the pledged shares by executing a Consent in Lieu of Special Shareholder Meeting of AIA Insurance removing John, Duclos and Freeman from the Board of Directors and appointed himself the sole Board Member, pursuant to his right to vote the pledged shares under the Amended Stock Pledge Agreement. Because AIA Services’ right to vote the pledged shares had ceased and terminated when it became in Default and failed to timely cure such Defaults, the right to vote the pledged shares in AIA Insurance vested exclusively in Reed and he exercised his right to vote the pledged shares pursuant to the Amended Stock Pledge Agreement and the Articles of Incorporation of AIA Insurance. Because the shares pledged to Reed account for all the outstanding shares of AIA Insurance, Reed had the authority to waive the notice requirement, notice period, and the formality of holding a shareholder meeting. Because Reed appointed himself as the sole director

of AIA Insurance, he had the exclusive authority to appoint himself as the officers of AIA Insurance through a Consent in Lieu of a Board Meeting.

2.32 In the weeks leading up to the filing of this action, Reed discovered that more than one transfer of assets occurred during the time in which AIA Services had failed to service its debt to Reed. In 2004, AIA Insurance paid \$1,510,693 to purchase Series C Preferred Shares in AIA Services from Crop USA Insurance Agency, Inc., an entity in which John was the single largest shareholder (John holds approximately 40% of the outstanding shares in Crop USA Insurance Agency, Inc.) and Beck also owns a substantial stake. This transaction inappropriately and/or fraudulently transferred \$1,510,693 of AIA Insurance's funds to Crop USA Insurance Agency, Inc. when such funds should have been tendered to Reed and/or used to pay the holder of the Series A Preferred Shares in AIA Services. This \$1,510,693 transfer occurred at a time in which AIA Services and/or AIA Insurance were insolvent as defined above. This \$1,510,693 transfer also occurred at the same time that AIA Services' 401(k) Plan (the "Plan") held over \$750,000 in Preferred C Shares in AIA Services. No shares were purchased or redeemed from the Plan, even though John and Duclos were the Co-Trustees of the Plan at the time of the transfer.

2.33 Reed also discovered that John had purchased a parking lot and entered into a lease agreement with AIA Services and/or AIA Insurance to lease the parking lot from him for \$1,250 per month. This transaction was also the fraudulent transfer of funds to John and funds which should have been paid to Reed during a time in which AIA Services was unable to service its debt to Reed and was otherwise insolvent. The parking lot is not utilized by AIA Insurance or AIA Services. Such acts and/or transfers have occurred during John, Freeman, Duclos, Connie and/or Beck's tenure as members of the Board of AIA Insurance and/or AIA Services.

2.34 Based upon the above-referenced acts, transfers and transactions, together with transactions referenced in the foot notes to AIA Services and/or AIA Insurance's financial statements, there are other unauthorized and inappropriate transfers, loans, payments, advances and other actions which occurred during times AIA Services defaults and inability to timely pay Reed and at times in which AIA Services was insolvent. Upon information and belief, Reed believes that forensic accounting and further scrutiny of AIA Insurance and AIA Services' books and records will reveal additional improper and actionable activities.

2.35 During times in which John, Freeman, Duclos, Connie and/or Beck owed Reed fiduciary duties, they have used AIA Services and AIA Insurance as their personal source of funds and/or assets, including, without limitation, acts in which John has transferred assets to their name; taken advances that John never paid back; transferred assets, rescourses, and/or funds to Crop USA, Sound Insurance and/or other entities partially owned or controlled by John; entered into transactions which constitute a violation of AIA Services' Articles of Incorporation; made transfers and/or entered into transactions which benefited them; and provided services for entities partially owned by them without such actions being arms-length transactions. The above acts occurred when John, Duclos, Freeman, Connie and/or Beck were directors and/or officers of AIA Services and AIA Insurance. All of the above acts occurred during certain relevant times in which AIA Services was not current with payments to Reed under the Promissory Note and was insolvent.

2.36 On February 22, 2007 (after executing the Consent in Lieu of Special Shareholder Meeting), Reed executed a Consent in Lieu of Board Meeting to terminate all officers, terminate the employment of John, authorize the change of locks, and take such other actions deemed appropriate. When Reed attempted to take action in accordance with the Consents described

FOURTH AMENDED COMPLAINT – 13

above, AIA Services, AIA Insurance, John, Duclos and/or Freeman refused to abide by the Consents.

2.37 Donna Taylor, the holder of the Series A Preferred Shares in AIA Services, subordinated all of her rights to payment of the redemption of her shares in favor of the Plaintiff Reed J. Taylor. Through the date of Reed's original Complaint, AIA Services had not timely and properly paid all sums owed to Donna Taylor.

2.38 During the relevant times that John, Duclos, Freeman, Connie and/or Beck were directors of AIA Services and AIA Insurance, they failed to take appropriate legal action on behalf of AIA Insurance and AIA Services. During the relevant times that John, Duclos, Freeman, Connie and/or Beck were directors of AIA Services and AIA Insurance, they breached their fiduciary duties owed to Reed.

2.39 Sometime after filing Reed's original Complaint, Freeman and Duclos resigned as members of the board of directors of AIA Insurance and AIA Services. John, in breach of his fiduciary duties owed to Reed and in violation of Reed's vote of the pledge shares in AIA Insurance, appointed Connie and Beck to the board of AIA Insurance. John also appointed Connie and Beck to the board of AIA Services in breach of his fiduciary duties owed to Reed. These appointments were conflicts of interest and breaches of John's fiduciary duties owed to Reed.

2.40 During certain relevant times that John, Connie and Beck were directors of AIA Services and AIA Insurance, they failed to take appropriate legal action on behalf of AIA Insurance and AIA Services. During certain relevant times that John, Connie and Beck were directors of AIA Services and AIA Insurance, they breached their fiduciary duties owed to Reed.

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2.41 Reed has a valid and perfected security interest in all commissions from sale of insurance and related services received by or on behalf of, or payable to, AIA Insurance and AIA Services, and interest thereon. Reed demanded that no funds which he had a security interest in and/or which should be paid to him could be used to pay the legal fees of John, Duclos or Freeman. Despite Reed's demands, AIA Services, AIA Insurance, John, Connie and/or Beck have unlawfully, improperly and inappropriately diverted funds to pay John, Duclos and/or Freeman's attorneys' fees and costs. Because all of AIA Services' revenues are derived from AIA Insurance's commissions and related services that Reed has a valid security interest in, such payments also constitute an illegal and/or unauthorized dividend from AIA Insurance to AIA Services, conversion, fraud and fraudulent conveyances.

2.42 Prior to the filing of Reed's original Complaint and without Reed's knowledge or consent, John paid a debt he owed to AIA Services in the amount of \$307,271 by transferring said indebtedness to Reed's Promissory Note. Such payment constitutes fraud (as set forth below), an account stated and/or moneys personally owed to Reed from John (including Connie) as the payment was reflected on AIA Services' financial statements.

2.43 After the filing date of Reed's original Complaint, Duclos and Freeman resigned as directors of AIA Services and AIA Insurance. John appointed Connie and Beck as replacement board members without holding a shareholder vote of AIA Services or AIA Insurance. John's appointment of Connie and Beck as directors of AIA Services and AIA Insurance was a conflict of interest and breach of his fiduciary duties owed to Reed and other creditors.

2.44 Sound Insurance has been operating through AIA Services and/or Insurance and with funds, assets, rent, and/or services provided by AIA Services and/or AIA Insurance during

FOURTH AMENDED COMPLAINT – 15

certain relevant times that John, Freeman, Duclos, Connie and/or Beck owed fiduciary duties to Reed. Since the filing of Reed's Original Complaint and upon information and belief, Crop USA purchased Sound Insurance from John and/or other unknown parties. The Defendants' operation of Sound Insurance and subsequent sale constitutes breaches of fiduciary duties, conversion, fraud and/or a fraudulent conveyance.

2.45 Global Travel was a tenant in AIA Insurance's office building located in Lewiston, Idaho. Since the filing of Reed's original Complaint, Global Travel has relocated as a tenant in an office building owned by R. John Taylor. Such actions are a breach of R. John Taylor, Duclos, Freeman, Connie and Beck's fiduciary duties owed to Reed, fraud and/or a fraudulent conveyance.

2.46 Through a letter dated February 27, 2001, John represented to Reed that AIA Services and/or AIA Insurance was developing a new crop insurance program through a new company called Crop USA. Reed relied on John's representation that AIA Services and/or AIA Insurance were the owners of Crop USA, when John's representation was false in that Crop USA was not owned by AIA Insurance or AIA Services, but instead owned by John, Beck, Freeman, and Duclos.

2.47 John made representations to Reed that he would not be taking a salary in certain year(s). Reed relied on John's false representation and in late 2006 or early 2007 learned that John had in fact taken a salary during the respective times.

2.48 John made representations and/or omitted material facts to Reed that AIA Services and AIA Insurance were being operated for the benefit of AIA Services and AIA Insurance. AIA Services and AIA Insurance made representations and/or omitted material facts to Reed through their financial statements that they were being operated for the benefit of the

corporations. Reed relied on AIA Services, AIA Insurance, John's false representations and/or omissions of material facts when in fact AIA Services and AIA Insurance were not being operated for the benefit of the corporations, but instead were being operated for the benefit of John, Freeman, Duclos, Crop USA, Sound Insurance, and/or Beck. As directors, Freeman, John and Duclos also made the false representations and/or omitted material facts by and through the corporations' financial statements.

2.49 John, Freeman, and Duclos breached their fiduciary duties owed to Reed Taylor when AIA Insurance guaranteed a \$15,000,000 loan for Crop USA. This guarantee is also a violation of AIA Insurance's Bylaws and the terms of the Amended Stock Pledge Agreement. AIA Insurance received no benefit from this loan and received no consideration.

2.50 After the inappropriate and fraudulent transfer of \$1,510,693 to Crop USA described above, the wrongful transfer was misrepresented on the financial statements of AIA Insurance as an investment with a value of approximately \$1,500,000, when the "investment" was worthless. John, Duclos and/or Freeman were aware, or should have been aware, of this false fact as AIA Services was insolvent.

2.51 Reed believes that there are other acts, fraud, breaches of fiduciary duties, wrongful transfers and/or fraudulent transactions that he will itemize and detail through future amended complaints upon completion of discovery and/or at trial. By and through this paragraph, the Defendants should be placed on notice that Reed intends to recover every dollar of funds, assets, services, loans, barter and the like that were utilized and/or transferred through fraud, constructive fraud, breaches of fiduciary duties, fraudulent conveyances, and any other causes of action set forth below.

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2.52 The unity of ownership of AIA Services, AIA Insurance and/or Crop USA is such that the separate personalities of the corporations and the individuals no longer exist. Equity should prevent the acts and omissions from being solely those of AIA Services, AIA Insurance and/or Crop USA. As a result of the unlawful acts, conduct, omissions, fraud, failure to observe corporate governance, and breaches of fiduciary duties as set forth in this Complaint, AIA Insurance, AIA Services and/or Crop USA are the alter-egos of John, Duclos, Freeman, Connie and/or Beck and such corporate veils should be pierced thereby imposing personal liability on John, Duclos, Freeman, Connie and Beck.

2.53 AIA Services, AIA Insurance, John, Duclos, Freeman, Connie and/or Beck unlawfully provided Crop USA, Sound Insurance, and/or other entities with rent, labor, funds, services, resources, and/or other assets without adequate compensation to the detriment of AIA Services, AIA Insurance and Reed.

### **III. FIRST CAUSE OF ACTION—BREACHES OF CONTRACT**

3.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

3.2 AIA Services, AIA Insurance and/or John's acts and/or omissions and failure to pay Reed the amounts owed and/or comply with the Promissory Note, Amended Stock Pledge Agreement, Amended Security Agreement and Restructure Agreement constitute a breach of their contractual obligations owed to Reed. AIA Services, AIA Insurance, and/or John's acts and/or omissions constitute the breach of obligations owed to Reed under the Promissory Note, Amended Stock Pledge Agreement, Restructure Agreement, Amended Security Agreement, and monies owed to Reed.

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3.3 As a result of AIA Services, AIA Insurance and/or John's acts and/or omissions which constitute numerous breaches of contractual obligations, Reed has suffered and is entitled to damages of \$6,000,000, plus accrued interest in an amount to be determined at trial to be allocated between the defendants as the evidence and claims show at trial. In addition, Reed is entitled to an award of attorneys' fees and costs as under the Promissory Note, Amended Stock Pledge Agreement, I.C. § 12-120 and/or I.C. § 12-121.

#### **IV. SECOND CAUSE OF ACTION—FRAUDULENT TRANSFERS**

4.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

4.2 The Defendants' actions constitute fraudulent transfers and/or conveyances under I.C. § 55-901, *et seq.* and/or the common law doctrine of Fraudulent Conveyances.

4.3 As a result of John, Duclos, Freeman, Connie and/or Beck's participation and/or approval of the fraudulent transfers, John, Duclos, Freeman, Connie and/or Beck are personally liable for all fraudulent transfers, plus accrued interest, in an amount to be proved at trial. All fraudulent transfers should be avoided and/or rescinded and/or all assets placed in a constructive trust for the benefit of Reed.

4.4 Crop USA is and/or was the recipient of various fraudulent transfers from AIA Services and/or AIA Insurance, and should be required to return all funds, rescind all transactions, and/or the ownership interest in Crop USA should be placed in a constructive trust for the benefit of Reed.

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**V. THIRD CAUSE OF ACTION—MISREPRESENTATIONS/FRAUD**  
**(Fraud and/or Constructive Fraud)**

5.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

5.2 AIA Services, AIA Insurance and/or John made statements of fact and/or omitted material statements of fact, including, without limitation those facts set forth in Paragraphs 2.33, 2.42, 2.44, and 2.45-2.48 above; such statements of fact were false or omitted material facts; such false statements or omitted facts were material; AIA Services, AIA Insurance and/or John knew or should have known the falsity of such statements; AIA Services, AIA Insurance and/or John intended to induce reliance; Reed was ignorant to the falsity of such statements and/or omissions; and Reed relied on such statements and/or omissions; Reed had a right to rely on such false statements and/or omissions.

5.3 By and through their fraudulent acts and/or omissions, including, without limitation, the allegations set forth in this Complaint and in Paragraphs 2.33, 2.42, and 2.45-2.48 above, AIA Services, AIA Insurance, John, Freeman, Duclos, Connie and/or Beck's acts and/or omissions constitute fraud, constructive fraud, and/or fraud as set forth in *Smith v. Great Basin Grain Co.*, 98 Idaho 266, 561 P.2d 1299 (1977), and Reed is entitled to recover all damages attributable to such fraud. Under the theory set forth under *Smith v. Great Basin Grain Co.*, AIA Services, AIA Insurance, John, Freeman, Duclos, Connie and/or Beck are liable for all funds, assets, and services that were unlawfully and/or inappropriately transferred and/or utilized to their benefit during their tenure as officers, directors, and/or shareholders in AIA Services and Crop USA.

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5.4 As a result of AIA Services, AIA Insurance, John, Duclos, Freeman, Connie, and/or Beck's acts, false statements, omissions, and/or fraud, Reed was damaged as consequence or proximate result of such acts, false statements, omissions, and/or fraud and is entitled to recover such damages from the responsible Defendants.

#### **VI. FOURTH CAUSE OF ACTION—CONVERSION**

6.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

6.2 AIA Services, AIA Insurance, Crop USA, John, Duclos, Connie, Freeman and/or Beck's conduct constitutes the willful interference with Reed's property and money which should have been paid to him and/or money in which he had a valid security interest (whether through UCC filings and/or through security interests in the Amended Stock Pledge Agreement), without lawful justification, which deprived Reed of the possession of such money and/or property. Crop USA, John, Duclos, Freeman, Connie and/or Beck were recipients of the converted assets, funds, and/or services (including for any attorneys' fees and costs paid on their behalf by AIA Services and/or AIA Insurance).

6.3 As a result of the AIA Services, AIA Insurance, Crop USA, John, Duclos, Freeman, Connie and/or Beck's unlawful acts and/or conduct, Reed has been damaged and is entitled to damages proven at trial.

#### **VII. FIFTH CAUSE OF ACTION—ALTER EGO/PIERCING CORPORATE VAIL** **(As a Cause of Action and/or as Notice of Personal Liability)**

7.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

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7.2 Reed also specifically re-alleges and incorporates Paragraph 2.52 above.

7.3 Because of the lack of proper corporate governance, lack of capitalization, fraud, and the unlawful and/or inappropriate acts and/or omissions of AIA Insurance, AIA Services, Crop USA, John, Duclos, Freeman, Beck, and Connie, the corporate veil of AIA Services, AIA Insurance and Crop USA should be pierced thereby holding John, Duclos, Freeman, Connie and/or Beck personally liable for all indebtedness to Reed as equity requires such action.

**VIII. SIXTH CAUSE OF ACTION—CONSTRUCTIVE TRUST**  
**(As a Cause of Action and/or as Remedies)**

8.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

8.2 Reed has a valid security interest in AIA Services and/or AIA Insurance's commissions and all of the outstanding shares of AIA Insurance, among other security interests. The boards of AIA Services and AIA Insurance owed Reed fiduciary duties to Reed. AIA Services, AIA Insurance, Crop USA, John, Duclos and/or Freeman fraudulently, wrongfully and/or improperly used funds, transferred assets and/or provided services (which should have been paid to Reed or benefited AIA Services and/or AIA Insurance) for investments, personal use, inappropriate transactions, loans, advances, self-dealing, and/or other wrongful, fraudulent and/or inappropriate purposes.

8.3 AIA Services, AIA Insurance, Crop USA John, Duclos, Freeman, Connie, and/or Beck's acts and/or omissions resulted in Crop USA, John, Duclos, Freeman, Connie and/or Beck's acquisition of money, securities and/or services which should have been paid to Reed but for their fraud, misrepresentation(s), bad faith, fraudulent conveyances, breaches of fiduciary duties, and/or overreaching activities; and AIA Services, Crop USA, John, Duclos, Freeman,

and/or other entities' retention of the money, investments, securities and property would be unjust.

8.4 Reed requests the imposition of a constructive trust for his benefit to recover the proceeds of all such fraud, fraudulent conveyances, breaches of fiduciary duties, overreaching, improper, self-dealing, wrongful and/or inappropriate transfers, acts and/or omissions.

**IX. SEVENTH CAUSE OF ACTION—DIRECTOR LIABILITY**  
**(As a Cause of Action and/or Notice of Personal Liability)**

9.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

9.2 John, Duclos, Freeman, Connie and/or Beck are personally liable for all relevant breached fiduciary duties, wrongful acts, improper acts, omissions, overreaching transactions, fraud, loans, advances, loan guarantees and/or fraudulent conveyances which occurred during their tenure as a member of the Board of Directors of AIA Service and AIA Insurance.

9.3 Because John, Duclos and Freeman were both directors and officers during certain relevant times, they owed Reed fiduciary duties for the damages set forth in this Complaint.

**X. EIGHTH CAUSE OF ACTION—SPECIFIC PERFORMANCE**  
**(As a Cause of Action and/or as Remedies)**

10.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

10.2 Under the Amended Stock Pledge Agreement, Amended Security Agreement, and Restructure Agreement, Reed is entitled to vote the pledged shares of AIA Insurance (and all ancillary rights, including, without limitation, to vote the shares to remove the board and take all actions related in any way to his right to vote the pledged shares), sell the shares of AIA

Insurance at public or private sale, judicially sell the pledged shares in AIA Insurance, entitled to timely receive audited financial statements and financial information, and/or seize all of the AIA Insurance and AIA Services' commissions in the required Lock Box. When AIA Services became in Default, it lost its right to vote the pledged shares of AIA Insurance and the right vested exclusively in Reed.

10.3 Despite Reed's demands for AIA Services, AIA Insurance, John, Duclos, Freeman, Connie and/or Beck to comply with the provisions in the Amended Stock Pledge Agreement, Amended Security Agreement and Restructure Agreement, AIA Services, AIA Insurance, John, Duclos, Freeman, Connie and Beck have refused to comply. Reed is entitled to the relief afforded to him or reasonably contemplated under the foregoing agreements and such other rights, remedies and/or relief as may be available under Idaho Code, including, without limitation, any action, relief and/or order authorized under I.C. § 30-1-701 *et seq.* and/or I.C. § 28-9-101 *et seq.* (including the sale of the pledged shares, protection of security interest, seizure of security, and any other available remedy).

10.4 Reed is entitled to an award of attorneys' fees and costs incurred, at or before trial, in enforcing any provision of the Promissory Note, Amended Stock Pledge Agreement, Amended Security Agreement, and/or Restructure Agreement for relief sought before or at trial.

## **XXI. TWELFTH CAUSE OF ACTION—BREACH OF FIDUCIARY DUTIES**

11.1 Reed re-alleges and incorporates each and every allegation contained in other paragraphs of this Complaint necessary to support every claim under this cause of action.

11.2 During certain relevant times, John, Connie, Beck, Duclos and/or Freeman owes and/or owed Reed fiduciary duties because of his status as the largest creditor of AIA Services and/or AIA Insurance and because AIA Services and/or AIA Insurance were insolvent as

described in this Complaint; and such fiduciary duties include, without limitation, the duties of care and loyalty to Reed. During the relevant times that any of the Defendants acted as both a director and an officer of AIA Insurance and/or AIA Services, he/she/they owed even more elevated fiduciary duties to Reed as the single largest creditor of AIA Services and/or AIA Insurance.

11.3 John, Connie, Beck, Duclos and/or Freeman breached their fiduciary duties owed to Reed when they failed to operate AIA Services and AIA Insurance for the benefit of Reed. John, Connie, Beck, Duclos and/or Freeman further breached their fiduciary duties when they failed to take legal action against past and/or present officers and/or directors of AIA Services and AIA Insurance.

11.4 As a result of John, Connie, Beck, Duclos and Freeman's breaches of their fiduciary duties owed to Reed, they are individually liable to Reed for all sums deemed the product of their breached fiduciary duties, including without limitation, all damages attributable to inappropriate transfers of assets and/or services, inappropriate use of assets and/or services, the failure to pursue claims against other past and/or present officers and directors, inappropriate guarantee of loans, and such other wrongful acts and/or omissions that Reed will demonstrate at trial.

#### **XV. PRAYER FOR RELIEF**

Without waiving any claims, rights and/or remedies under any of the above-referenced agreements and/or Idaho Code as a secured party, Reed respectfully requests the following relief:

12.1 For a judgment against AIA Services for the principal of \$6,000,000, plus accrued pre-judgment interest, in the total amount to be proven at trial.

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12.2 For the imposition of a constructive trust for all shares of common and/or preferred shares in Crop USA owned and/or held by John, Connie, Freeman, Duclos, and Beck for the benefit of Reed and for all ancillary actions necessary to transfer said shares to Reed.

12.3 For a preliminary and permanent injunction enjoining any of the Defendants from preventing Reed from exercising his right under the Amended Stock Pledge Agreement to vote the pledged shares in AIA Insurance and taking any ancillary actions which relate in any way to voting the pledged shares, including, without limitation, removing the board of directors of AIA Insurance and appointing a revised board and such other actions he deems appropriate in his sole discretion as the exclusive person entitled to vote all the outstanding shares of AIA Insurance.

12.4 For a preliminary and permanent injunction enjoining any of the Defendants from interfering with the actions taken pursuant to the February 22, 2007, Consent in Lieu of Special Meeting of Shareholders of AIA Insurance and the actions taken pursuant to the February 22, 2007, Consent in Lieu of Meeting of Board of Directors of AIA Insurance.

12.5 For a preliminary and permanent injunction enjoining the Defendants and any entity owned, partially owned or operated by any one or more of them from interfering with, disturbing, and transferring any of AIA insurance's customers, contracts, agreements and business.

12.6 Until such time that Reed Taylor's vote of the pledged shares is honored and he is permitted to operate AIA Insurance, Reed Taylor requests a preliminary and permanent injunction against the Defendants as follows:

- (a) Enjoining the Defendants from utilizing, transferring or disposing of any funds, assets, labor, facilities or services of AIA Insurance for any other person, entity or business, unless such transactions are arms-length and

payment is received by AIA Insurance prior to providing such funds, assets, labor, facilities or services (e.g., no credit arrangements for such activities).

- (b) Enjoining the Defendants from disposing of, using, transferring or utilizing any of the funds received from the lawsuit entitled In re: Universe Liquidator Grain Growers Trust, et al. v. Idaho Department of Insurance a/k/a GGMIT suit. All funds from the foregoing should be held in trust until further notice from the Court.
- (c) Enjoining the Defendants from negotiating or entering into any loans, credit arrangements, credit facilities, or borrowing any funds under any loan, line-of-credit, credit facility, open account and the like for which AIA Insurance is a guarantor or a signatory, unless utilized for the exclusive benefit of AIA Insurance to provide funding for AIA Insurance and approved by Reed Taylor or such other party appointed by Reed Taylor or the Court.
- (d) Enjoining the Defendants from destroying, altering, deleting, purging, and/or removing any documents (including drafts, proposals, electronic files, email, back-up media and the like), property, computers and the like from AIA Insurance's office.
- (e) Enjoining the Defendants from advancing or lending any funds, assets or services to R. John Taylor, JoLee Duclos, Bryan Freeman, Connie Taylor or AIA Services without first obtaining written consent from Reed Taylor or the Court.
- (f) Enjoining the Defendants from entering into or negotiating any substantive contracts or agreements without first obtaining approval from Reed Taylor or

the Court.

- (g) Enjoining the Defendants from holding, calling or participating in any shareholder meetings, board meeting, and/or executing any Consents in Lieu of the foregoing without permitting Reed Taylor to vote the pledged shares or take such other action permitted to him as the holder of the right to vote all outstanding shares of AIA Insurance.
- (h) Enjoining the Defendants from using or transferring any funds, assets, or services of AIA Insurance for the purpose of providing any retainers or payments for the legal services for R. John Taylor, Bryan Freeman, JoLee Duclos, and Connie Taylor.
- (i) Enjoining R. John Taylor from being paid compensation for work performed for AIA Insurance and/or AIA Services, required to disgorge all compensation and benefits. R. John Taylor's time expended for Crop USA Insurance Agency, Inc. and any other entities partially owned by him shall be paid by the appropriate entity and not AIA Insurance or AIA Services.
- (j) Enjoining the Defendants from not having AIA Insurance and AIA Services accurately and properly itemizing every employee's daily time sheet to reflect the number of hour(s) performed for AIA Services and AIA Insurance and such other unrelated entities such as Crop USA Insurance Agency, Inc. and Sound Insurance.
- (k) Enjoining the Defendants from such other actions as may be reasonably contemplated from this Complaint, the Amended Stock Pledge Agreement, the Amended Security Agreement, the Restructure Agreement and/or which

would otherwise protect Reed Taylor's interests.

12.7 For a preliminary and permanent injunction against the Defendants requiring them to timely and promptly provide Reed Taylor with all financial information required under the Amended Stock Pledge Agreement.

12.8 For a preliminary and permanent injunction enjoining John and any of the other Defendants from entering the offices of AIA Insurance, if necessary.

12.9 For an order and/or judgment permitting Reed to sell the pledged shares of AIA Insurance at public or private sale or, in the alternative, judicially.

12.10 For an order compelling an audit of AIA Services and AIA Insurance.

12.11 For a declaratory judgment or order requiring specific performance of AIA Services and/or AIA Insurance's obligations and Reed's rights under the Amended Stock Pledge Agreement, Amended Security Agreement, Promissory Note and/or Restructure Agreement.

12.12 For a preliminary injunction and/or order invalidating the appointment of Connie and Beck from the Boards of AIA Services and AIA Insurance.

12.13 AIA Insurance and AIA Services have been operated as the alter-egos of John, Duclos, Freeman, Connie and/or Beck, and they are personally liable for all sums owed to Reed by AIA Services in an amount to be proven at trial.

12.14 For a preliminary and permanent injunction enjoining John from appointing any directors for AIA Services or AIA Insurance.

12.15 For a declaratory judgment and/or order enforcing the February 22, 2007, Consent in Lieu of Special Meeting of Shareholders of AIA Insurance and the actions taken pursuant to the February 22, 2007, Consent in Lieu of Meeting of Board of Directors of AIA Insurance, as valid and duly executed Consents.

12.16 For a judgment for damages and attorneys' fees incurred by Reed as a result of being wrongfully enjoined by the Defendants.

12.17 For such other relief that Reed may request before or at trial to enforce his rights under the Amended Stock Pledge Agreement, Amended Security Agreement, and/or Restructure Agreement, including, without limitation, any action or order authorized under I.C. § 30-1-701 *et seq.* and/or I.C. § 28-9-101 *et seq.*

12.18 For judgment, order and/or declaratory relief as may be necessary for Reed to effectuate any and all rights and remedies under I.C. § 28-9-101 *et seq.* (including the sale of the pledged shares, protection of security interest, seizure of security, and any other available remedy)

12.19 For the avoidance of the improper and/or fraudulent transfers of funds, assets and/or services from AIA Services and/or AIA Insurance to John, Beck, Freeman, Connie, Duclos, Crop USA, and any entity partially owned by John, and/or any other party who received such transfers under I.C. § 55-916, *et seq.* and/or other applicable legal authority.

12.20 For judgment against John for \$307,271, plus accrued interest for the money he owed AIA Services which was improperly paid by transferring his indebtedness to Reed's Promissory Note.

12.21 For judgment against Connie Taylor to the fullest extent of her derivative liability by virtue of her marriage to R. John Taylor and her interest in the community property in an amount to be proven at the time of trial.

12.22 For judgment against Connie Taylor individually for an amount to be proven at trial, plus pre-judgment interest.

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12.23 For a judgment against John (both individually and through his marriage to Connie Taylor) in an amount to be proven at trial, plus prejudgment interest.

12.24 For judgment against John, Duclos, and/or Freeman, jointly and severally, for all funds, assets, services, property and/or any other benefit fraudulently transferred and/or fraudulently conveyed, and which such transferred may not be avoided, rescinded and/or paid to Reed.

12.25 For judgment against Crop USA for all sums and the value of all services wrongfully, fraudulently, and/or inappropriately transferred, converted and/or conveyed from AIA Insurance and/or AIA Services.

12.26 For judgment against John, Duclos and/or Freeman, jointly and severally, for amounts owed to Reed in an amount to be proven at the time of trial because AIA Services and AIA Insurance are alter egos of John, Duclos and/or Freeman.

12.27 For judgment against John, Connie, Duclos, Freeman and Beck disgorging all compensation (including all salaries), benefits, assets, stock (including, without limitation, shares held directly or indirectly in Crop USA) and other ill-gotten gains as a result of the breaches of their fiduciary duties, fraudulent transfers, unlawful acts, and/or fraud.

12.28 For the imposition of a constructive trust for the benefit of Reed on all funds, investments, loans, advances, securities, property, transactions, services and/or self-dealing which were fraudulently, wrongfully and/or improperly made for the benefit of Duclos, Freeman, John, Beck, Connie and/or other parties or entities, which sums should have been paid to Reed.

12.29 For a preliminary and permanent injunction against the Defendants from transferring, encumbering or otherwise disposing of any improperly and/or fraudulently obtained and/or transferred assets under I.C. § 55-916, *et seq.* and/or other applicable legal authority.

12.30 For a judgment against John, Freeman, Duclos, Connie and Beck, jointly and severally, for all damages resulting from the breaches of their fiduciary duties owed to Reed during the periods of time of their relevant tenures as directors of AIA Insurance and AIA Services, in an amount to be proven at trial.

12.31 For judgment and/or relief for all claims which conform to the evidence obtained through discovery and/or forensic accounting.


12.32 For an award of Reed's attorneys' fees and costs as under the Promissory Note, Amended Stock Pledge Agreement, I.C. § 12-120 and/or I.C. § 12-121.

12.33 Reed expressly reserves the right to amend this Complaint upon the completion of discovery and/or present causes of action and remedies which conform to the evidence at the time of trial.

12.34 For such other relief as Reed may request before or at the time of trial and/or that the Court may find just, equitable, or warranted before or at the time of trial.

DATED this 14<sup>th</sup> day of August, 2007.

SMITH, CANNON & BOND PLLC  
AHLERS & CRESSMAN PLLC

By:   
Roderick C. Bond  
Paul R. Cressman, Jr.  
Ned A. Cannon  
Attorneys for Plaintiff Reed J. Taylor

### CERTIFICATE OF SERVICE

I, Roderick C. Bond, declare that, on the date indicated below, I served a true and correct copy of Plaintiff Reed Taylor's Fourth Amended Complaint on the following party(s) via the method(s) indicated below:

David A. Gittins  
Law Office of David A. Gittins  
P.O. Box 191  
Clarkston, WA 99403  
Attorney for Defendants Duclos and Freeman

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Michael E. McNichols  
Clements Brown & McNichols  
321 – 13<sup>th</sup> Street  
Lewiston, Idaho 83501  
Attorneys for Defendant R. John Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

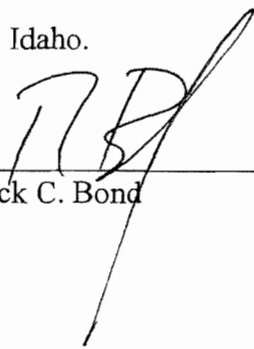
Jonathan D. Halley  
Clark & Feeney  
P.O. Box 285  
Lewiston, Idaho 83501  
Attorney for Defendant Connie Taylor

**Via:**  
☐ U.S. Mail, Postage Prepaid  
☒ Hand Delivered  
☐ Overnight Mail  
☐ Facsimile

Gary D. Babbitt  
D. John Ashby  
Hawley Troxell Ennis & Hawley LLP  
877 Main Street, Suite 1000  
P.O. Box 1617  
Boise, Idaho 83701-1617  
Attorneys for AIA Services and AIA Insurance

**Via:**  
☒ U.S. Mail, Postage Prepaid  
☐ Hand Delivered  
☐ Overnight Mail  
☒ Facsimile – (208) 342-3829

Signed this 14<sup>th</sup> day of August, 2007, at Lewiston, Idaho.

  
\_\_\_\_\_  
Roderick C. Bond



CW

Michael E. McNichols  
CLEMENTS, BROWN & McNICHOLS, P.A.  
Attorneys at Law  
321 13th Street  
Post Office Box 1510  
Lewiston, Idaho 83501  
(208) 743-6538  
(208) 746-0753 (Facsimile)  
ISB No. 993

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PATTY O. WEEKS  
CLERK OF THE DIST. COURT

*Patty Weeks*  
DEPUTY

Attorneys for Defendant R. John Taylor

IN THE DISTRICT COURT OF THE SECOND JUDICIAL DISTRICT OF THE  
STATE OF IDAHO, IN AND FOR THE COUNTY OF NEZ PERCE

REED J. TAYLOR, a single person;

Plaintiff,

vs.

AIA SERVICES CORPORATION, an Idaho  
corporation; AIA INSURANCE, INC., an  
Idaho corporation; R. JOHN TAYLOR and  
CONNIE TAYLOR, individually and the  
community property comprised thereof;  
BRYAN FREEMAN, a single person; and  
JOLEE DUCLOS, a single person;

Defendants.

Case No: CV 07-00208

ANSWER OF R. JOHN  
TAYLOR TO PLAINTIFF'S  
FOURTH AMENDED  
COMPLAINT  
and  
COUNTERCLAIMS  
and  
DEMAND FOR TRIAL  
BY JURY

R. John Taylor ("this defendant") answers plaintiff's Fourth Amended  
Complaint as follows:

ANSWER OF R. JOHN TAYLOR TO  
PLAINTIFF'S FOURTH AMENDED  
COMPLAINT and COUNTERCLAIMS  
and DEMAND FOR TRIAL BY JURY

I.

This defendant denies all of the allegations in plaintiff's Fourth Amended Complaint except for those allegations which are expressly admitted.

II.

This defendant admits paragraphs 1.1, 1.2, 1.3, 1.4, 1.6, 1.7, 1.8, 1.10, 1.11, and 2.7. This defendant denies paragraphs 2.4, 2.20, 2.23, 2.26, 2.34, 2.35, 2.37, 2.38, 2.40, 2.47, 2.49, 2.50, 2.52, 2.53, 3.2, 3.3, 4.2, 4.3, 4.4, 5.2, 5.3, 5.4, 6.2, 6.3, 7.3, 8.3, 8.4, 9.2, 9.3, 10.2, 10.3, 10.4, 11.2, 11.3 and 11.4. This defendant denies paragraph 2.3 for lack of information and belief.

III.

This defendant realleges and incorporates his admissions and denials to the paragraphs incorporated by reference by paragraphs 3.1, 4.1, 5.1, 6.1, 7.1, 7.2, 8.1, 9.1, 10.1 and 11.1.

IV.

Answering paragraph 1.5, this defendant admits that R. John Taylor and Connie Taylor were husband and wife until on or about December 16, 2005, and at all relevant times were residents of Lewiston, Nez Perce County, Idaho, and denies all the other allegations.

V.

Answering paragraph 1.9, this defendant admits that James Beck and Corrine Beck are residents of the state of Minnesota and denies all of the other allegations.

VI.

Answering paragraph 2.1, this defendant admits that he was at relevant times an officer and director of AIA Services, AIA Insurance and Crop USA, admits that he is a

shareholder in AIA Services and owns approximately 40% of the outstanding shares of Crop USA and denies all the other allegations.

VII.

Answering paragraph 2.2, this defendant admits that he and Connie Taylor were divorced through an Interlocutory Decree filed on December 16, 2005, and denies all the other allegations.

VIII.

Answering paragraph 2.5, this defendant admits that JoLee Duclos is an officer of AIA Services, AIA Insurance and Crop USA, admits that she is a shareholder in Crop USA and denies all the other allegations.

IX.

Answering paragraph 2.6, this defendant admits that Bryan Freeman was a director of AIA Services, AIA Insurance and Crop USA, admits that Bryan Freeman is a shareholder in Crop USA and denies all the other allegations.

X.

Answering paragraph 2.8, this defendant admits that defendant James Beck is a shareholder in AIA Services and Crop USA and denies all the other allegations.

XI.

Answering paragraph 2.9, this defendant admits the first sentence and the third sentence and alleges that in 1995 Reed desired to retire and have AIA Services redeem his stock.

XII.

Answering paragraph 2.10, this defendant admits that AIA Insurance is a wholly owned subsidiary of AIA Services, admits that AIA Insurance is a lessee of the office

building located at 111 Main Street, Lewiston, Idaho, and denies all the other allegations.

XIII.

This defendant admits paragraph 2.11, alleges that the agreements speak for themselves and alleges that the agreements were amended at a later time.

XIV.

This defendant admits paragraph 2.12 but alleges that the Promissory Note provided that it was subordinate to the payment of redemption obligations owned by AIA Services to Donna Taylor and that the agreements were amended at a later time and denies all the other allegations.

XV.

Answering paragraph 2.13, this defendant admits that the Stock Redemption Agreement, Stock Pledge Agreement, and Security Agreement were authorized by the Board of Directors of AIA Services and denies all the other allegations.

XVI.

Answering paragraph 2.14, this defendant admits that, in 1996, AIA Services and plaintiff agreed to modify the Stock Redemption Agreement and executed the Stock Redemption Restructure Agreement and executed an Amended and Restated Stock Pledge Agreement and an Amended and Restated Security Agreement but alleges that the agreements were amended at a later time and denies all of the other allegations.

XVII.

Answering paragraph 2.15, this defendant alleges that the agreements speak for themselves, alleges that the agreements were amended at a later time and denies all the other allegations.

XVIII.

Answering paragraph 2.16, this defendant alleges that the Amended Stock Pledge Agreement speaks for itself and denies all of the other allegations.

XIX.

Answering paragraph 2.17, this defendant alleges that the Amended Stock Pledge Agreement speaks for itself, admits that AIA Services did not post bonds or other security for the payment of the Promissory Note and denies all the other allegations.

XX.

Answering paragraph 2.18, this defendant alleges that the Amended Stock Pledge Agreement speaks for itself and denies all the other allegations.

XXI.

Answering paragraph 2.19, this defendant alleges that the Promissory Note speaks for itself and denies all the other allegations.

XXII.

Answering paragraph 2.21, this defendant admits that the plaintiff was the largest creditor of AIA Services and denies all the other allegations.

XXIII.

Answering paragraph 2.22, this defendant denies that AIA Services and/or AIA Insurance have failed to comply with the agreements as amended and denies all of the other allegations.

XXIV.

Answering paragraph 2.24, this defendant admits that plaintiff, through his counsel, claimed that AIA Services was in default and denies all the other allegations.

XXV.

Answering paragraph 2.25, this defendant admits that plaintiff had never attempted to accelerate any of the indebtedness due under the Promissory Note prior to December 12, 2006, admits that AIA Services continued to make interest payments in the agreed upon amounts before and after the date of plaintiff's original complaint and denies all of the other allegations.

XXVI.

Answering paragraph 2.27, this defendant admits that plaintiff attempted to schedule a special shareholders meeting for December 26, 2006, a date on which the offices of AIA Insurance were scheduled to be closed, admits that no special shareholders meeting was held and denies all of the other allegations.

XXVII.

Answering paragraph 2.28, this defendant admits that the quoted words are part of one of the sentences in one of the paragraphs of a letter from R. John Taylor to plaintiff's legal counsel and denies all the other allegations.

XXVIII.

Answering paragraph 2.29, this defendant admits that on January 25, 2007, plaintiff made another demand for a special shareholders meeting for February 5, 2007, admits that AIA Insurance refused his request and denied that he had a right to call a meeting to vote the AIA Insurance shares, admits that no special shareholders meeting was held and denies all the other allegations.

XXIX.

This defendant denies paragraph 2.30 and alleges that none of the defendants is in default under the terms of any of the agreements as amended.

XXX.

Answering paragraph 2.31, this defendant denies that any of the defendants were in default under any of the agreements as amended, denies that the plaintiff had a right to vote the pledged shares, denies that the plaintiff had the authority to take the action he purportedly took, and denies all of the other allegations.

XXXI.

Answering paragraph 2.32, this defendant admits that AIA Insurance paid \$1,510,693.00 to purchase Series C Preferred Shares in AIA Services from an entity in which this defendant was the single largest shareholder but alleges that the stated value of the Series C Preferred Shares, together with mandatory accumulated dividends, likely exceed \$3,000,000.00 and that the transaction was substantially beneficial to AIA Services and AIA Insurance. This defendant admits that the 401(k) plan of AIA Services held Preferred C shares and that no shares were purchased or redeemed from the plan and denies all the other allegations.

XXXII.

Answering paragraph 2.33, this defendant admits that he purchased a parking lot and denies all the other allegations.

XXXIII.

Answering paragraph 2.36, this defendant admits that plaintiff executed a Consent in Lieu of Board Meeting, alleges that the Consent speaks for itself, alleges that the plaintiff had no right to execute the Consent, admits that the defendants refused to recognize the Consent as binding on them and denies all the other allegations.

XXXIV.

Answering paragraph 2.39, this defendant admits that Freeman and Duclos

resigned as members of the Board of Directors of AIA Insurance and AIA Services, admits that he appointed Connie Taylor and James Beck to the Board of AIA Insurance and AIA Services and denies all of the other allegations.

XXXV.

Answering paragraph 2.41, this defendant admits that plaintiff has a valid and perfected security interest as provided in the Amended and Restated Security Agreement, which speaks for itself, admits that plaintiff has demanded that no funds in which he has a security interest should be used to pay the legal fees of any defendant and denies all of the other allegations.

XXXVI.

Answering paragraph 2.42, this defendant admits that as of 2002 or 2003 he owed AIA Services \$307,271.00 and alleges that in 2002 or 2003 he and plaintiff entered into an agreement to extinguish his debt to the corporation and to reduce the corporation's debt to the plaintiff by an amount of \$307,271.00 and other sums, as part of a proposed transaction between plaintiff, this defendant and AIA Services which plaintiff later repudiated and refused to complete and denies all the other allegations.

XXXVII.

Answering paragraph 2.43, this defendant admits that defendants JoLee Duclos and Bryan Freeman resigned as directors of AIA Services and AIA Insurance, admits that he appointed Connie Taylor and James Beck as replacement Board members and denies all the other allegations.

XXXVIII.

Answering paragraph 2.44, this defendant admits that Crop USA purchased Sound Insurance and denies all the other allegations.



XXXIX.

2.45. Answering paragraph 2.45, this defendant admits the first sentence and denies the second sentence.

XL.

Answering paragraph 2.46, this defendant alleges that the letter dated February 27, 2001, speaks for itself and denies all the other allegations.

XLI.

Answering paragraph 2.48, this defendant alleges that AIA Services and AIA Insurance are and were being operated for the benefit of AIA Services and AIA Insurance and denies all the other allegations.

XLII.

Answering paragraph 2.51, this defendant denies the first sentence for lack of information and belief and denies all the other allegations.

XLIII.

Answering paragraph 8.2., this defendant admits that plaintiff has a security interest as provided in the Amended and Restated Security Agreement which speaks for itself and denies all the other allegations.

**FIRST AFFIRMATIVE DEFENSE**

On July 1, 1996, plaintiff, AIA Services and Donna J. Taylor entered into a SERIES A PREFERRED SHAREHOLDER AGREEMENT which provides that no principal payments may be made by AIA Services to plaintiff until the entire redemption price due Donna Taylor is paid in full. The redemption price due Donna Taylor has not been paid in full. Therefore, no principal payments are due to plaintiff.

### **SECOND AFFIRMATIVE DEFENSE**

At different times since the written agreements were executed, plaintiff and some defendants have orally modified the written agreements. The modifications include, without limitation, an agreement that the interest payable to plaintiff from AIA Services would be paid in installments of \$15,000.00 per month (together with the assumption of responsibility for other expenses). AIA Services has paid plaintiff the sum of \$15,000.00 per month and has assumed responsibility for the other agreed expenses in accordance with the modified agreements since they were entered into and plaintiff has accepted those payments. None of these defendants is in default of the modified agreements with plaintiff.

### **THIRD AFFIRMATIVE DEFENSE**

The claims of the plaintiff are barred by applicable statutes of limitation, including Idaho Code §§ 5-216, 5-218, 5-224, 5-237 and 55-918.

### **FOURTH AFFIRMATIVE DEFENSE**

Plaintiff is estopped from asserting his claims against this defendant.

### **FIFTH AFFIRMATIVE DEFENSE**

Plaintiff has waived his right to assert claims against this defendant.

### **SIXTH AFFIRMATIVE DEFENSE**

Plaintiff's claims against this defendant are barred by the equitable doctrine of unclean hands.

### **SEVENTH AFFIRMATIVE DEFENSE**

Plaintiff's claims in his THIRD CAUSE OF ACTION violate Rule 9(b) I.R.C.P.

### **EIGHTH AFFIRMATIVE DEFENSE**

Plaintiff's claims are barred by the doctrine of laches.

### **NINTH AFFIRMATIVE DEFENSE**

To the extent that plaintiff is attempting to state a claim for a shareholder's derivative action, plaintiff's claims are barred because he failed to give the notice required by Idaho Code § 30-1-742.

### **TENTH AFFIRMATIVE DEFENSE**

One or more of the plaintiff's causes of action fails to state a claim upon which relief can be granted.

### **COUNTERCLAIMS**

This defendant counterclaims against the plaintiff as follows:

#### **FIRST COUNTERCLAIM**

In 1995, plaintiff was the majority shareholder of AIA Services. AIA Services was the sole shareholder of AIA Insurance.

In 1995, AIA Services redeemed plaintiff's interest in AIA Services through a corporate redemption of the plaintiff's stock.

After the purchase of plaintiff's stock, plaintiff intentionally undertook a course of action to injure AIA Insurance and to devalue the businesses of AIA Services. Plaintiff's intentional course of action included intimidating the management of the businesses of AIA Services, inducing AIA Insurance employees and agents to terminate their employment and contracts with AIA Insurance and to accept employment and contracts with plaintiff and/or his controlled organizations. Plaintiff, with the former employees and former agents of AIA Insurance, engaged in business competitive with AIA Insurance and seriously damaged the business and value of AIA Insurance and the value of the businesses of AIA Services.

Because of plaintiff's intentional injury to the business of AIA Insurance, AIA Services was unable to pay plaintiff all of the amounts of money due at the times due, prior

to the amendment of the agreements. Before the agreements were amended plaintiff threatened to sue AIA Services and to foreclose and take over AIA Insurance and threatened and coerced defendants into employing friends and relatives of plaintiff and paying plaintiff's friends and relatives salaries and compensation substantially in excess of the value of their services. Plaintiff also told those friends and relatives that they were not obligated to report to or take direction from this defendant's management.

Plaintiff has intentionally breached the covenant of good faith and fair dealing implied in the agreements with defendants and has damaged defendants in amounts to be proved at trial.

**SECOND COUNTERCLAIM**  
**INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS**

Plaintiff has intentionally inflicted emotional distress on this defendant and damaged this defendant in an amount to be proved at trial.

**THIRD COUNTERCLAIM**  
**INTENTIONAL INTERFERENCE WITH PROSPECTIVE  
ECONOMIC ADVANTAGE/INTENTIONAL INDUCEMENT  
OF TERMINATION OF CONTRACTS WITH COMPANIES  
OWNED IN PART BY R. JOHN TAYLOR**

Plaintiff has damaged defendants by intentionally causing businesses to terminate contracts with companies owned in part by defendants and therefore diminishing the value of defendants' investment in those companies. Plaintiff has damaged defendants in an amount to be proved at trial.

**FOURTH COUNTERCLAIM**  
**DECLARATION OF INVALIDATION OF PROXY**

The written agreements provide that plaintiff will have an irrevocable proxy from AIA Services to vote the stock of AIA Insurance in the event and only in the event of an uncured default by AIA Services.

Plaintiff claims that AIA Services is in default and has thus claimed the right to act as AIA Services proxy and to vote its shares in AIA Insurance. This defendant denies that AIA Services is in default.

Plaintiff has stated in writing his intention to vote AIA Services' shares in AIA Insurance, to remove all of the current directors of AIA Insurance and then to cause new directors to be appointed to remove all of the officers of AIA Insurance.

The immediate removal of all of the directors and officers of AIA Insurance would result in catastrophic losses to AIA Insurance, all to the substantial detriment of AIA Insurance and AIA Services.

A proxy is an agent of his principal and owes a fiduciary duty to his principal. Plaintiff seeks to act as a proxy for AIA Services but has announced his intention to do serious and catastrophic damage to his principal, AIA Services.

Because of plaintiff's announced intention to violate his fiduciary duty to AIA Services and to take actions which will result in catastrophic losses to AIA Services and AIA Insurance, the Court should find, order and determine that plaintiff does not have a right to act as a proxy for AIA Services in the voting of its shares of AIA Insurance.

#### **FIFTH COUNTERCLAIM FOR INJUNCTIVE RELIEF**

At approximately 3:00 a.m. on Sunday, February 24, 2007, without notice to any defendants, plaintiff and several individuals entered the offices of AIA Insurance and AIA Services at 111 Main Street, Lewiston, Idaho.

Accompanying plaintiff and his security personnel was a locksmith whom plaintiff directed to begin to change the locks on the offices of AIA Services and AIA Insurance for the purpose of preventing access to those offices by their current management and employees.

The action and conduct of plaintiff and his associates constituted a trespass upon the property of AIA Services and AIA Insurance, which, if it had been successful, would have caused irreparable injury to both AIA Services and AIA Insurance.

Plaintiff should be enjoined from harassing and/or interfering with the management of the business known as AIA Insurance and AIA Services. Plaintiff should be enjoined from entering upon the premises of AIA Insurance and AIA Services without the express permission of this defendant. Plaintiff should be enjoined from acting or attempting to act as a director or officer of AIA Insurance. Plaintiff should be enjoined from harassing or annoying, directly or indirectly, any employee of AIA Services or AIA Insurance in person, by telephone, or by written communications.

#### **SIXTH COUNTERCLAIM**

In the early morning hours of Sunday, February 25, 2007, plaintiff and several of his associates entered the offices of AIA Services and AIA Insurance without notice and without permission, which constitutes an intentional trespass on the property of AIA Services and AIA Insurance, which caused those corporations damages in amounts which will be proved at trial.

#### **NOTICE OF INTENT TO AMEND**

This defendant hereby gives notice of his intention to request the Court to permit him to amend these counterclaims to include a claim for punitive damages.

WHEREFORE, this defendant requests the Court:

1. To dismiss the Fourth Amended Complaint of the plaintiff, with prejudice and to award this defendant his costs and reasonable attorneys fees.
2. To award this defendant damages for plaintiff's breach of the covenant of good faith and fair dealing in the amounts to be proved at trial.

3. To award this defendant damages for plaintiff's intentional infliction of emotional distress, in the amounts proved at trial.

4. To award this defendant damages for plaintiff's intentionally causing businesses to terminate contracts with companies owned by him in amounts to be proved at trial.

5. To find, order and declare that plaintiff did not have a right to act as a proxy for AIA Services in the voting of its shares of AIA Insurance.

6. To enjoin the plaintiff from harassing and/or interfering with the management of the business known as AIA Insurance and AIA Services and to enjoin the plaintiff from entering upon the premises of AIA Insurance and AIA Services without the express permission of this defendant and to enjoin the plaintiff from acting or attempting to act as a director or officer of AIA Insurance, and to enjoin the plaintiff from harassing or annoying, directly or indirectly, any employee of AIA Services or AIA Insurance in person, by telephone, or by written communications.

8. For such other and further relief as to the Court may seem just.

Dated: August 24, 2007.

CLEMENTS, BROWN & McNICHOLS, P.A.

By:

  
MICHAEL E. McNICHOLS

DEMAND FOR TRIAL BY JURY

This defendant demands a trial by a jury of twelve (12) persons of all of the issues in this case that are triable to a jury.

CLEMENTS, BROWN & McNICHOLS, P.A.

By:   
MICHAEL E. McNICHOLS

CERTIFICATE OF SERVICE

I hereby certify that on the 24th day of August, 2007, I caused to be served a true and correct copy of the foregoing by the method indicated below, and addressed to the following:

Roderick C. Bond  
Ned A. Cannon  
Smith, Cannon & Bond, PLLC  
Attorneys at Law  
508 Eighth Street  
Lewiston, ID 83501  
Facsimile: 746-8421

David A. Gittins  
Attorney at Law  
P.O. Box 191  
Clarkston, WA 99403  
Facsimile: 758-3576

Paul R. Cressman, Jr.  
Ahlers & Cressman, PLLC  
999 Third Avenue, Suite 3100  
Seattle, WA 98104-4088  
Facsimile: (206) 287-9902

Jonathan D. Hally  
Clark & Feeney  
P.O. Box 285  
Lewiston, ID 83501  
Facsimile: 746-9160

Gary D. Babbitt  
D. John Ashby  
Hawley Troxell Ennis & Hawley, LLP  
877 Main Street, Ste. 1000  
P.O. Box 1617  
Boise, ID 83701-1617  
Facsimile: (208) 342-3829

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Michael E. McNichols